

The Economic Club of New York

123<sup>rd</sup> Meeting

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The Recession – What can be done about it?

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February 2, 1938

Hotel Astor  
New York City

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Mr. Ely: You perhaps will like to hear a few words about a new method of conducting the question period. It is proposed this evening that we try the experiment, after the third speaker, of inviting questions from the floor. Anybody—no, I take that all back, not anybody—anybody who can ask a question that has real point and who can reach the point by the most direct possible road. I have heard persons ask a question who began by making a little speech. Please don't do that. But we invite clear, pointed questions, couched so they can be heard and with the greatest possible economy of language.

Now, if any of you prefer to send up written questions please do that, but we are going to try to make the experiment which seems, after all, only fair, to divide the brain labor this evening between the long table here, at which sit the three speakers, and this expanse of what has the appearance of being brain-power to which no one dare set a limit!

Now our President, Mr. Cravath, will take the helm. (Applause)

## Introduction

Paul D. Cravath, President

Ladies, gentlemen, guests of the Economic Club: Before we begin our speeches, we have a Guest of Honor, Mr. S. K. Ratcliffe, one of the most distinguished British Journalists, who is at the moment a Special Correspondent for the "London Spectator." He is one of the wisest men I have

ever known—particularly wise about America. We are very proud to have him as our Guest of Honor. Mr. Ratcliffe! (Applause)

S. K. Ratcliffe

British Journalist

Mr. Cravath, Honored Guests, Ladies and Gentlemen: I assure you that this is a complete surprise. I was promised, or threatened, by Mr. Ely, with a few minutes this evening at the end of the program, if there should happen to be any time at all at the close of this very crowded program, but I certainly am only going to take up just a few minutes before your President calls on the first of the three speakers.

It is suggested that I might, with the greatest possible economy of words, as Mr. Ely said just now, with reference to the questions, say something about two points of very special interest to us in England, and which we hope are of interest to you.

First, the question as to how what you call the “Business Recession” in the United States is being looked upon from my country, or how it is affecting the business outlook in Great Britain.

It would, I think, be accurate to say that it is quite impossible for Great Britain to be indifferent to anything that happens in the United States, especially within the twin spheres of industry and

commerce and that the barometer of New York and Chicago, and your other great centers is watched as closely in Great Britain as is the barometer of London, Glasgow, and our other great centers.

But I think I am accurate in saying that until the end of 1937 the way British affairs were being influenced by what is happening now in industry, and commerce in this country, was to be seen mainly in the Stock Exchange. We are concerned in Great Britain at the present time with the broad evidence of a great national recovery in industry and in trade. The two questions that we ask ourselves are now, at the present stage, with regard to the future, first, what is the percentage in the business recovery in England which can be put down to the immense program of rearmament which the National Government entered upon a few months ago, and secondly, have we any reason to fear a serious recession in our own country as we draw near to the end of the five year period set by the Government for the greater part of that rearmament program?

The answer of the Government and of those who speak for the Government, with regard to the question as to how far armament is responsible for the greater employment in Great Britain now is that it is a relatively small percentage. Great Britain has enjoyed a genuine and general recovery, and as regards conditions in Great Britain, I don't think, at any rate until the end of 1937, that there was serious misgiving.

We do know, however, as we draw near the close of the rearmament program, that great

adjustments must be necessary in the economic order, and I think I would make two predictions as to what is likely to happen if those adjustments should involve increases in unemployment.

I believe that in those circumstances, the British Government would enter upon a public works policy larger and more systematic than we had during the recent depression, and I judge it highly likely if we came into another period of depression, following the rearmament program, that we should see a development in the field of public control in industry. Not, I think, in the direction of Government ownership, but in that peculiarly British field, as we see it – although it runs parallel with your own enterprise of private or company enterprise – with an increasing measure of Government direction.

Sir Josiah Stemp is coming to New York in a few days, and I should be surprised if he did not agree with that general prediction of mine.

I close with a few words on the central, most important question of labor in Great Britain. We look upon the present troubles in your own country with a sense of great birth throes of a new movement, which comparing a smaller movement with a greater one, seems to remind us of our own conditions thirty years ago, at the beginning of the movement for the organization of unskilled labor.

We, with our small country, and homogenous population, had a simpler problem on our hands,

and the labor movement has developed so much in the trade union world and in politics, that we have been able to move along with a general atmosphere of consecration and agreement and general accord, which on the whole increases, and has increased, our feeling with regard to conditions of the present and the future. And comparing those things, I think we all feel that as production is the center of your great problem, that that cannot go forward without a basis of understanding and good will, that we look with sympathy upon you, and in the hope that that basis may be within your reach in the very near future. (Applause)

President Cravath: Now we come to the subject of the evening's discussion, "The Recession—What can be done about it?" That is a timely topic.

The first speaker, Mr. George M. Verity, is an old friend and associate of mine. I am very proud to introduce him. I have never heard him make a public speech, but I have heard him talk for a great many hours in a room. If he speaks as well as he talks, he will be a great success.

Mr. Verity is one of the leaders in the steel industry. As young as he is, he has built up from scratch one of the great steel enterprises of the country, the American Rolling Mills of Middletown, Ohio. In building up that great enterprise he has shown extraordinary skill and foresight and patience.

I can say for him that he is one of the wisest, and one of the most honest men I have ever known.

He has never had a strike in his mills! I doubt it any other steel magnate has that record. If he can bring up the problem of this evening the same wisdom and grasp and foresight that he has brought to the building of his own enterprise, he will help us a great deal.

It is a great pleasure and honor to introduce my old friend, George M. Verity. (Applause)

First Speaker

George M. Verity

American Rolling Mills

Mr. Chairman, Mr. Ratcliffe, Mr. Sprague, Mr. Martin, Ladies and Gentlemen: It is a great privilege to have the opportunity this evening to discuss with you for a few moments some of the problems of business.

You have probably heard about business! After fifty years of consecutive and active work in industry, I have come to see what a great lack of understanding there is among all classes of our people—a lack of understanding not only of the problems and policies of industry, but of the powers and limitations of management. That lack of understanding not only of the problems and policies of industry, but of the powers and limitations of management. That lack of understanding is, in my opinion, responsible for a great many of our troubles of today.

It will give me great pleasure if, in the few minutes I have this evening, I can give you any work



of clarification on that important subject.

Living as we are today in the very midst of confusion much confounded in almost everything that affects our living, our planning and our working, if we are to attempt to understand the serious economic reverses that have befallen us, we must cut through the superfluous veneer of things as they appear to us, and get right down to a serious consideration of the underlying factors that have retarded our Commercial and Industrial activities.

We know, for instance, that commerce and Industry, taken as a whole, are our great service organizations; that is, they are the source through which we must procure the goods and services we require to maintain our standards of civilization. They are more than that, as in practical operation they provide both the gainful employment and the profitable investment of savings that sustain the great consuming power of the nation.

Could anything be more vital to our economic and cultural life than the advancement of all legitimate business enterprise?

Businessmen and business enterprises are not perfect, no more than is human nature; yet the price of progress for both of them is a constant striving for greater perfection in everything that falls within their scope of service.

Again, as with human nature, businessmen and business enterprise have their share of weakness, vacillation, selfishness and dishonesty. Thus was human nature molded. The relatively small minority that comes within that general definition is, however, just as much a burden to honest, competent business as it is to government and the public, and it must be dealt with as it deserves, under laws and customs both written and unwritten.

Recognizing these facts as we do, we must not permit our knowledge of the comparatively minor weaknesses, inherent in all human enterprise, to blind us to the great constructive good, that has been and continues to be, the very bulwark of commerce and industry. If this were not true neither civilization nor economic progress could have journeyed as far as they have under the beneficent sun of our great commonwealth.

As a Nation we have great ships, instruments of peaceful pursuit and of national defense, constantly sailing the seven seas. They represent a might force, but they are in their innermost makeup, intricate and complex.

As well high invulnerable as they are, the titanic powers of nature do occasionally overcome these giants of the seas. However, in a great majority of cases, they do credit to their strength and maintain their integrity through all the emergencies and tragedies incident to a seafaring life.

Their notable record of accomplishment is due to their own inherent strength, and to the

experience, ability and courage of their officers and crews. In the hands of inexperienced men of less courage and resourcefulness those mighty ships would become useless wrecks in less time that it would take to write the story of their defeat.

Even so with industry. Modern industry is not child's play; neither is it a pink tea nor a parade ground for untried theories.

The battleships of American industry are mighty instruments of constructive accomplishment when guided by experience, ability and courage, but like our great ships at sea, in the hands of inexperience the shambles of Shanghai would be picayunish in comparison.

American commerce, finance and industry, which together make up our national business structures, could not have attacked their recorded accomplishments, and our America could not have attained the place it has – sou outstanding among the nations of the world – if a great majority of our leaders in every field of effort, their close associates and their working forces, had not been men of honesty, of integrity, of courage, of resourcefulness and of unquestioned ability. Their record of accomplishment stands as an inspiring challenge to all the world.

American industry, even as life at sea, demands men of fighting spirit who know not defeat and who glory in their occasional reaching out beyond the very borders of the impossible in their conquests, be they scientific, professional, engineering, industrial operation or social

advancement.

These men of industry, the very embodiment of a spirit of high conquest, intensively practical as they must be, are not without ideals. To strive for higher ideals is as natural to men of questing minds as the desire to live is to the human body.

But in ideals, as well as in all genuine progress, Businessmen as trustees for both capital and labor, must keep well within the realm of the practical today, while ever striving to reach greater heights of idealism and accomplishment in days yet to come.

Admitting that our industrial institutions, large and small, are simply service agencies, let us briefly review their opportunities and responsibilities under our American system of living and working.

Every organized industry must first bring together capital, property, machinery and equipment suitable to its purpose. Management must then gather around it, as a working organization, a group of men and women that in character, ability and experience, give promise of both equal to both the need of their enterprise and to the opportunities for progress that are visualized.

In its working organization as well as in its executive management, a corporation must obtain, as best it can, experience, proved ability, courage, initiative, inventiveness and great

resourcefulness; for these are the things that will ultimately make for success or failure.

Management must give an equally fair deal in all things to employees, to customers to be served, to stockholders to be represented, and to the great public-at-large that is definitely affected by its success or failure, as well as by the manner in which its activities are carried on.

Once organized and quipped, executive management is faced with many responsibilities. They are first confronted by the fact, proven by much of tragic history, that over and above the laws of the land, industry is controlled by economic laws and must respect them if it is to continue to create and maintain gainful employment.

Management is faced with the fact that in the eyes and understanding of many people, every larger enterprise has great power over the disposition of large sums of money, over the trends in business, and over the lives of men, when, as a matter of fact, the sum of the powers of a corporation and its management are quite limited and greatly restricted.

Management is immediately confronted with the further fact that seventy-two to seventy-five percent of every sales dollar is requisitioned before it is received. The labor and materials required, which must be obtained at prices fixed by general market conditions, absorb that proportion of their sales income.

Management has no power to control the ever growing number of tax costs, one of its largest items of expense.

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Management is constantly being importuned to contribute to the support of many activities, local, state and national, that claim to be working in the interest of the community-at-large, and must give such requests and demands consideration.

There are many items of expense incidental to the operation of every industry that management is not able to control, their effort must be to keep all such costs within legal safe and reasonable limits.

Management must support the making of large expenditures for new machinery and equipment absolutely necessary to meet ever-growing competitive conditions and scientific advancement.

What is looked upon as power in the hands of directors and managers is in reality simply the accumulated responsibilities of a great stewardship.

Management's greatest power is at the same time its greatest responsibility. That responsibility

lies in its executive control over, and direction of, plans and programs, the development of organization, and the coordination and synchronization of the many complex activities involved in every large business. Decisions must constantly be made that in effect will either strengthen or weaken the entire corporate structure.

It is management's opportunity, as well as its responsibility, to create plans and programs that will encourage men to do and to dare, in the opportunities and emergencies that are bound to confront every working organization from time to time; plans that will provide every possible sound incentive and encouragement for successful effort, and that will continue to maintain the loyalty, the goodwill and the confidence of all those associated with the enterprise.

Free enterprise in our American life reaches its greatest success only as group spirit and mutual interest can be created within its managerial and working forces, and in proportion as understanding confidence, goodwill and efficient sympathetic cooperation can be developed and maintained.

These are the vital forces in modern industry which entirely overshadow the more routine but very important tasks of buying, producing and selling in competitive markets, and they must be developed by management.

Modern American enterprise has developed the imagination, the inventive powers, the initiative

and resourcefulness latent in human life, to a degree never before achieved in the history of nations.

The proof of that assertion lies all about us in the conveniences and luxuries available to the most modest home, and in the marvels of communication and transportation that have completely reshaped human life.

Six hundred million people can sit in their own homes and simultaneously hear the voice of a public official speaking from the Capitol of the many nations of the world.

These great developments in the free enterprise of the nation have not only transformed our civilization, but they have greatly multiplied the gainful employment and the opportunity for advancement and greater individual expression of millions of men and women.

In just one branch of the iron and steel industry some three hundred and fifty million dollars have been invested within the past twelve years in new and more efficient machinery and equipment, to enable it to reform its entire manufacturing operation, to reduce the cost and the selling price while substantially improving the quality of the products made under new processes.

In the realization of these objectives the better quality obtained is responsible for the development of new and useful articles never before made out of such materials, and every one



of these new products brought into life provides gainful jobs for more men.

This same evolution has been going on in other branches of the steel industry, as well as in many other fields of effort.

Now, where do these vast sums constantly being invested in manufacturing improvements come from?

A fair proportion, enough to prove that industry is successful, must come from surplus earnings plowed back into still greater productivity.

The rest must come from the accumulated savings of our people, small savings as well as large, savings that will not be invested in commerce and industry unless the investors believe in the future of their country and in the soundness of its business enterprise. They certainly will not invest without reasonable hope of a fair return.

Industry's greatest value to the public lies in its ability to directly and indirectly provide profitable employment for our forty millions of workers, as well as to yield reasonable return from the many hundreds of millions of invested capital.

This it can do when the strength of the demand for its services makes successful operation

possible. While the normal function of business is to supply the goods and services needed to maintain our national standards of living, industry has within itself great possibilities for creative power. This is visualized in the constant development of the new and useful products and in the creation of the new forms of service to which we have referred, all of which makes for large and efficient industrial units.

We hear much of the menace of bigness in business. Looking critically at this so-called menace we find that large operations have made all of the economic gains and magic development of our times possible, and that they have multiplied many-fold the opportunities of men and the standards of their living. As against our modern corporations, why is it true that so many of our individually owned and operated business enterprises ultimately fail?

If we were now to attempt to return to small enterprise in our mighty manufacturing adventures, we would simply land back in the real horse and buggy days of old, with all that the term implies.

Having enjoyed the economic and cultural advancements that have accompanied manufacturing growth and increased efficiency, a return to the ways of living of those early days would create an impossible situation.

Again, the very demands of mass production have brought their own form of control, and a most

effective one, in the fact that the public to be served is the final judge as to whether or not the service rendered is satisfactory.

In quality, in service and in price of product, the ultimate consumer must be satisfied or mass production cannot flourish.

Commerce and industry normally have goods and services to sell, and when the optimism and temper of the people of the nation are such that they are ready and willing to buy these goods and services, then all business becomes active, and profitable employment of men and capital proceeds apace.

The public can be encouraged to want many things, but they cannot be made to buy them if for any reason they are not in a buying mood. Either the urge to buy things wanted or a retrenchment mood is usually the result of some one or all of the following conditions:

The first, the public mood, whatever it is, may be the result of a local and national atmosphere, which is the product of a cross section of the people as a whole. Again, their moods may be influenced by what the world is doing in its prosecution of peaceful pursuits or of conflicting entanglements. Their moods may be largely or entirely influenced by the political trends in a particular period or of the times in general. In a final analysis, their moods may be due to the sum of what they themselves, individually and collectively, are thinking and doing in the

advancement of their cultural, educational, social religious and political activities, as well as to whether in all or a greater proportion of these activities, the trend is toward peaceful and cooperative methods, or toward dissension and conflict.

The prevailing atmosphere, created by the cross currents of events and intensified by the aspirations, hopes and fears of the public, is as responsible for the optimism that exists in times of great business activity as for the pessimism which abounds in periods of recession and depression.

If perchance any authority available could at any given time decide that commerce and industry appeared to be going too fast; that they were producing and selling beyond the real consuming power of the people at their particular time, then a change in the atmosphere that had created optimism and speculation, with all that that implies, would have to be effected before existing currents could be checked. That would not be an easy task, but we cannot assume that it could not be done.

If, on the other hand, confidence is lacking, and fear is going to grow throughout the land, and as a result, economic activities are stagnating, then again there must in some way, be effected a change in the thinking and feeling of the public-at-large, the ultimate users or consumers of everything that industry produces.

One thing is certain, a reduction in price in capital goods products will not revive buying, when for any reason confidence is lacking throughout the land. Such reductions, under such conditions, rather tend to add to uncertainty and instability. There is nothing that can take the place of a restoration of confidence. Without that we do nothing.

While the demand for goods of all kinds must be created and stimulated in many sound and effective ways, the normal flow of business is not controlled by business enterprise itself – it is controlled by those for whom it is organized to serve.

If the currents of trade and commerce could be so regulated or controlled by those engaged in business enterprise, we could rest assured that there could never be any lack of activity in any established field of effort. There would be no depressions.

Any business, large or small, once organized, must not only do the best it can under whatever conditions prevail from time to time; it must do a really good competitive job or it cannot long exist; its task, after all, is creative and not restrictive.

What a marvelous thing it is to see a new industry set out to create a demand for its goods and services. There it is, a small investment and a mere handful of men, and we see it grow, step by step, to where, in the fullness of time, it is employing 23,000 or 150,000 or 200,000 men, and the individual annual compensation of these men is more than three times what it was in the early

days of that same enterprise.

Such achievements, and many of them are recorded, are responsible, more than anything else, for the normal economic life of the nation and for its cultural advancement. Our rapid growth has brought many new problems, as substantial progress in any direction always does. We must remember, however, that human nature does not change simply because our culture or our economy changes. It remains the same in all its basic needs, urges and aspirations, through all the winding labyrinths of progress.

A broader and more complex life simply gives human nature greater opportunity to express itself in whatever direction the trends of the times may lead.

In our rapid growth we must not make the fatal mistake of believing that our economic progress or our human relations can be improved by destroying any of the constructive gains we have made, or by abrogation of the principles or policies that have made free enterprise in America what it is. Our task is to strengthen the weak places and to retain and maintain every good thing that is embodied in our American System of living and working and it is just full of them.

In this great peace-loving and progressive country of course, there should never be need for more than occasional readjustment of the machinery that drives our economic activities. There should be no place for the long drawn out depressions that destroy so many enterprises, that crucify so

many helpless men and women and dwarf the opportunities of youth.

Now as to the present recession: The decline in industrial activity and in employment that followed the sudden collapse of our securities markets during the last half of 1937, was nothing short of tragic.

It represented the most unexpected and precipitous decline ever recorded within so short a period. Industrial workers who had enjoyed steady and profitable employment in the first nine months of the year were not only shocked, they were dazed and could not understand what had happened.

Unemployment is always tragic, but when it comes like a thief in the night it is certain to result in great confusion and increased anxiety to both the employer and the employed.

While our economic charts show 40 periods of active business and 30 well defined periods of depression during the past one hundred and forty-seven years, we had never before witnessed anything which could be called a stock market panic and an industrial recession in the very midst of great business activity. This is certainly a new and dismaying situation.

We have now reached a stage in our development as a nation where we must be more completely realistic and not continue to be influenced by either our prejudices, our illusions or our hopes, we

need calm and careful analysis. When a person is suddenly attacked by an undefined illness and a physician is called in, he must first endeavor to ascertain the cause of the trouble before he can suggest or apply a remedy.

The recent collapse in commerce and industry was all too realistic to business, to its workers, and its stockholders. Affecting almost every one as it has, there have been many diverse opinions and suggestions rendered by the doctors and experts called in consultation.

With all the information we have before us, it seems incredible to believe that the business activities of a great nation could so suddenly be checked by any one cause other than an unexpected declaration of war. We must therefore concede that in this harrowing experience there must have been some major and many minor national and international contributions to bring about such a pronounced reversal of things.

With the whole world in more of a state of confusion, conflict and dissension than ever before, that condition of itself provided the material for a decrease in confidence and an increase in fear of trouble ahead.

As to the apparent causes of the national dilemma in which we now find ourselves, the apparent causes have been ably discussed by the many eminent authorities on finance, trade and commerce to whom we have referred, and they have brought out many technical points with



which the great majority of us are not familiar, as they are beyond our individual experience. It, however, seems to me that the great underlying cause of the decline in our securities markets and the recession of our industrial activities was the widespread and growing antagonism between the administrators of government and the representatives of business. This has been made clear to all of us by the continued attack, not only upon just a few business institutions, but upon businessmen as a class, and even upon the system of free enterprise itself—the most successful and equitable system the world has yet known.

In a widely announced effort to strengthen the weak spots in our financial and industrial structures, and to bring a small minority of lawless and selfish men and enterprises within the law, drastic new laws and restrictive measures have been passed by the Congress, and many others are advocated. The general effect of some of these new laws enacted and the further reforms advocated, has been harmful to all legitimate business endeavor, instead of simply providing control over the few who were ignoring both reason and law, as was desired.

The modification or repeal of legislation that is now very generally admitted to be hurtful should proceed promptly, as it is of the utmost importance. However, such action will not of itself bring us safely out of this costly recession, unless along with such modification or repeal, the spirit of antagonism that has prevailed is replaced with governmental goodwill and sympathetic cooperation between the administrators of Government and all honest business adventure.

(Applause)

It must be apparent to all thinking people that if our business enterprises, large and small, the very bone and sinew of our economic life, are to be gradually weakened or ultimately crushed by continued attack, that all gainful employment as we know it will be buried under the wreck.

No sane person, no matter what his or her policies programs of politics, wants to see any such tragic result, but, it has happened in other lands.

Today, our great need is to give honest free enterprise every rightful opportunity to work out its salvation with sympathetic governmental cooperation, supported in the knowledge that it will be protected in the just and righteous pursuits of its lawful activities.

Again, the life and progress of business demand that new capital markets be opened up and made more attractive to the investors of the nation, and when money goes to work, men are put to work.

All business enterprise needs to have certainty as to its relations with government and certainty as to a continuation of our form of Government.

All business must have a plan and an objective, and the courage and energy to prosecute its plans in every sound way.

Uncertainty in any of the many factors affecting the planning and operation of industry, represents one of the greatest of all retarding influences. Certainty, in the largest degree possible, in all controllable and regulatory influences is a great need in all business enterprise.

It has been well said that uncertainty is to business as a heavy fog is to an automobile driver. He may have both power and speed but he cannot use them—he simply gropes his way towards his destination.

Working in sympathetic cooperation with the representatives of government, local, state and national, industrial enterprise could provide full information covering the problems of its business; the service it is performing and the profit and loss sustained, to the end that the public would be assured that its investment and consumer interests were being protected and advanced, and progress encouraged. Such an understanding on the part of the public would be a great boon to industry, itself.

Free enterprise so accredited should be relieved of every economic, legal or political handicap and restriction that unnecessarily or unjustly restrains or decreases its creative and productive powers.

In the midst of the conflict and confusion that exists today in national and world affairs, it will be

most heartening and helpful if representatives of banking, business, labor and government will continue to sit down together in a spirit of friendly cooperation, until they find common ground on which to proceed. There is no limit to the permanent gains that can be made through any such continued cooperation.

If out of such serious but friendly effort would come a program that would give honest, efficient, free enterprise every rightful opportunity to serve and to profit as it serves, as judged by those served a program fair to all the humane effort involved, to Government and to the public at large, we would soon witness a revival of economic activities such as neither this nation nor the world at large has ever witnessed.

And why should we not have such a program? Do not the combined interests of commerce, labor, finance and the public represent all of our interests?

Why should there ever be any lack of cooperation between those in power, in government, and in all legitimate business enterprise, when it is so vital to our very lives? Why can't we check this recession and the economic conditions as they are today?

Within sixty days of its consummation, we shall hear the humming of many wheels throughout the land, and the glad songs of men and women, happy in their lives and their work, as they look forward to greater accomplishment. God speed the day! (Applause)

President Cravath: Mr. Verity, your speech has fulfilled my hopes based on listening to your conversation for almost thirty years.

Our next speaker is Mr. Homer Maring, President of the United Automobile Workers of America – a position which he has held for almost a year. Mr. Martin must be a labor leader by conviction, because to enter the ranks of labor he gave up a successful career as a clergyman, for which career he was fitted by education, association, and great success in the pulpit and as pastor of several churches. I think it is a rare instance of a labor leader who has entered the ranks of labor with a background such as Mr. Homer Martin has had.

I have great pleasure in introducing Mr. Homer Martin, President of the United Automobile Workers of America, of whom we have heard a great deal. (Applause)

Second Speaker

Homer Martin

President, United Automobile Workers of America

Mr. Chairman, ladies and gentlemen; to those, who because of their established reserves have some economic security, we are in a mere business recession; but to those who have lost their jobs, who face eviction from their homes, and loss of the necessities of life, we are in the midst

of a catastrophic depression, a depression so devastating in its effects that it can be described only as a national disaster. Like a gigantic flood, or the unleashed fury of a hurricane, it has swept over the industrial centers of America with calamitous effects upon the lives and homes of those who have toiled in private industry.

Let us examine the automobile industry, which is run by the highest paid executives in the world, the master minds of America's private enterprise. And I say courteously, "Master minds of America's private enterprise".

As testimony to their ability to manage and operate the most advanced and most highly mechanized industry in the world, there are, out of 517,000 workers normally employed, 320,000 totally out of work, representing, with their dependents, 1,500,000 American citizens. The remainder of 196,000 receive so little that at least 50% of them are eligible for relief.

In the City of Detroit, the center of the automobile industry, out of 300,000 workers normally employed in the heavy industries, 200,000 who with their families represent 800,000 persons, are totally unemployed. 71,531 are employed on a part-time basis; and 50% of these partially employed workers receive a weekly income averaging from eight to twelve dollars.

Men and women by the thousands, scantily clad, are standing for hours, often in zero weather, waiting, hoping for relief. Already all reserves are gone. Prompt re-employment or relief,

immediate and substantial, are their only hope. These thousands and millions of workers wait in vain before the gates of the private-owned industrial plants, which have been closed against them; and while they wait, they are already beginning to starve.

This latest failure of private enterprise to provide economic and social security for the wage earners of America carries us back to 1929 and the years that followed, when the collapse of private industry brought wholesale destruction to human values through the undermining of the standards of living of millions of American wage earners.

Out of these experiences there has evolved a new unwritten law in this country, a law which makes those who are able to pay, underwrite a job for every person in the United States willing to work.

There is another new precept, emerging, that if American business does not supply every man willing and able to work with a job which will enable him to maintain an American standard of living, then business must be taxed so that the government can supply that job. Unless private business can keep goods and wages moving, the government must fill in the gap in employment on the one hand and the demand for goods on the other.

Yesterday, in a conference with President Roosevelt, when we presented the facts of the present situation we were assured that the resources of government would be utilized to prevent mass

deprivation and hunger of its citizens, and to assume the social obligation which private industry is unable to meet.

The maintenance of activity in industry and business depends to a high degree upon a continued expansion of capital. Presuming that I need not argue this point, I think we may say that an index of the economic health of this country is the rate of new capital issues which go to finance either the expansion of existing industries or the development of new industries.

And examination of the figures over several years, showing the volume of new capital issues on Wall Street, reveals an important factor in the causes of the present depression. The January bulletin of the Royal Bank of Canada shows that as far as new capital issues are concerned, the depression has been with us continuously since 1929, both under Hoover and under Roosevelt. This bulletin points out that the government decreased its rate of deficit expenditures at a time when the volume of new capital issues in Wall Street was modest.

On examining these figures, however, one discovers that the rate of new capital issues has been modest in every year since the dawn of the “new era” in 1929. So far as the record goes, there is nothing to indicate mathematically that the Roosevelt administration in its various regulation of industry and in finance killed off or stifled any new capital issues of private business, because there has never been any volume to kill off since the middle of Mr. Hoover’s administration.



Yes, it is true that a certain degree of national business prosperity and an increase in payrolls took place under Mr. Roosevelt at the time of the large government expenditures, but this expansion in business activity seems to have been largely confined to the turnover of the money the government spent.

The peaceful sleep of the financing of major expansion by private industry was undisturbed. In saying this, I am not speaking about the renovation of a few plants or the decentralization of operations, but I have in mind the type of expansion which builds new industries, running into, let us say, new financing up to five or six billion dollars a year.

Because there has been not the least indication that any such private business expansion has, at any time been under way or contemplated in a practical sense, I find it very difficult to assure myself that somebody killed it recently. Let me bore you with a few figures from this Royal Bank of Canada bulletin to clarify my point:

In the years between 1924 and 1927 the new financing done in the United States was primarily for the expansion of private enterprise, and only 23% of the new money raised came from the United States Government or municipalities. In 1929 12% of the new activity was financed by the government and the balance by private industry. However, since 1930 there has been almost a complete collapse of private financing. Since that time, the chief burden of new financing has fallen upon the government. For example, in 1931, 63% of new financing was governmental; in

1932, 93%; 1933, 95%, 1934, 97%, 1935, 90%, 1936, 78%.

And I do not need to tell you gentlemen that at the present time private business is not doing any new financing, whatsoever. And as far as new financing is concerned, there never has been a revival of private enterprise since 1929 and 1930.

There are those who attribute the lack of private investment in new industry to the curtailment of stock speculation by the Federal Government. However, speculation no matter how great its volume, never has and never will be a substitute for sound industrial expansion. There are others who believe that labor costs have risen too high, through the exorbitant demands of labor unions, and that this has killed industrial expansion and construction in America. There are some automobile magnates, for example, who on the one hand boast that their payment of high wages has been a factor in leading the country back to prosperity, and on the other hand argue that the present recession is the result of over-high wages wrung from them by C.I.O. pirates. I gather that what these people want is to put through a series of wage cuts and price cuts, under the assumption that this will release a great volume of building expansion and industrial extension.

To any of you who harbor such notions, let me remind you that from 1929 to 1933 there were almost constant wage cuts and price cuts going on; and instead of expanding, business continued to contract and decline. Diminishing the consuming power of the people; through wage cuts, has never been a sound method of stimulating the sale of commodities.

However, if a greater volume of business is achieved at the same time that costs are cut, the combination of the two may produce an adequate payroll to further stimulate business of the nation. Certainly if industrialists want to cut prices, it is not for labor unions to object; but we do object to cutting earning power to the point where it prevents the ability to pay union wages. Labor will spare no effort to defend and expand the position it has gained and the rights it has established.

The owners of property and the heads of industry have been complaining about experimentation. They say they object to being a guinea pig for economic experiments. Many people would object to being made a human guinea pig in a test to find a cure for leprosy. If it is true that the wealthy, the powerful in this country have been made economic guinea pigs in experiments having to do with the cure of economic leprosy, then, perhaps they are entitled to what little sympathy is due an “economic royalist” in his most miserable moments. Some have recently expounded wage cuts as a cure for economic leprosy. Because of the experience between 1929 and 1933, labor is extremely dubious about the effectiveness of this particular cure.

Let me outline this experiment somewhat further. At least a part of the nation’s trouble is that business is inactive. That the production of food, clothing and shelter is not that it was nor what it should be, and with the productive capacity this country has, it is certainly not what it can be. This country is sick, ill-fed and ill-housed. Under these circumstances the doctor prescribes a

carefully rationed and much-reduced diet for all workers and their families. The doctor says that working men have been living too luxuriously, that his food is too rich, and that he should not be allowed to support himself and his family in the style to which they have become accustomed. And the doctor argues further that if we reduce the standard of living of the most needy section of the community, the standard of living for all of us will be much improved. The idea that wage cuts will cure a business collapse is as unsound and fatal as to attempt to cure anemia by bleeding the patient.

A number of labor unions, including our own organization, have gone on record favoring a minimum annual wage, based on a full year's continuous employment. For the automobile industry in particular, with its frequent and all too great fluctuations in employment, this would accomplish much to protect the wage-earner and his family from months of enforced idleness and starvation pittance from the public welfare.

However, let me point out that we do not intend to permit the adoption of an annual wage as a means of lowering basic wage rates or of lengthening the workweek. It is to the interest of automobile manufacturers themselves to stabilize production and employment to the maximum degree. It is an expensive thing to maintain the overhead on closed plants. Idle capital helps no one. On the other hand, workers and their families live and pay rent by the year, not by the hour or week.

The rate of return on the capital investment in the automobile industry is more than double the rate of return on the capital investment for all other manufacturing industry, which indicates that the lead toward the establishment of living annual wages should be taken by the automobile industry.

American workers do not like to live on the dole. They want to work at jobs which produce social values, but it would seem that American capital and American business has also been living on the dole since 1929, inasmuch as its profits have been obtained largely in recent years from gathering in, directly and indirectly, the dollars that have been spent by the government.

The business community cannot continue to live upon governmental bounty and seek prosperity in active governmental deficit. If this continues, the result will be a form of government-controlled capitalism, and if you'll excuse the expression, a bastard form of socialism. Certainly not the rugged individualism of the Hoover days.

In carrying out production, it is sound practice for employers to set aside regularly a certain proportion of their income as a fund to take care of the wear and tear of machinery and depreciation of their plants. As a matter of fact, the sums thus set aside as a reserve are considered as a part of the cost of production itself. Well, we laboring men are beginning to think about another sort of wear and tear which naturally arises out of the rapid application of science and technology to industrial production. If the capitalist and everyone else consider it sound and

necessary to put aside a certain amount of money to meet the problems growing out of the need for replacements of broken-down machinery, why not also at the same time set aside a certain amount that will help to meet the problems growing out of the displacement of laborers by machinery? Why not set aside a depreciation fund to take care of the wear and tear on the industrial workers?

The statistician of the Metropolitan Insurance Company in a study made by him discovered that the average life expectancy of an industrial worker at the age of twenty was eight years less than that of the non-industrial worker at the same age. In other words, the industrial worker pays a tax to industry of eight years of his life. The study went on to explain that the chief factor in this loss of eight years out of the industrial worker's life was the conditions under which he was forced to work and the poverty in which he was forced to live.

Who can estimate the economic loss and the social loss to the community of this shortening of the lives of our industrial workers? We propose that industry must accept the responsibility and recognize that it must meet this problem fairly and sincerely. Labor unions, and particularly our own organization, have done much within the past year to improve the conditions of work of industrial wage-earners, but we recognize that society as a whole must give serious consideration to this problem. Individual employers here and there cannot accomplish what is necessary. Here, of course, I am giving an idea of my own and I am not speaking for the whole C.I.O., that great movement which has done more for American labor in a shorter time than any previous

organization has accomplished in decades.

I have spoken about the necessity for private industry to find some channel to activate itself and invest new capital. This does not mean that anything in which money is invested is productive of social value, or is a sound measure to bring back a revival of business. The standard of living is raised through the production of commodities which have a use value and which satisfy certain social needs. There are some who believe that as long as our capital goods industries are producing, – it does not matter much what they are producing. They believe that mere activity of business for its own sake will keep the country prosperous. I do not subscribe to this point of view. For example, I do not think that building battleships and unheard of expenditures for military purposes are sound methods of financing a business recovery.

I noticed an article in *Barron's Financial Weekly* for January 24, with the following headline: “NAVAL PROGRAM PROMISES BUSINESS. FIVE COMPANIES IN LINE TO PROFIT FROM INCREASED WARSHIP EXPENDITURES”. To encourage the building of battleships purely for the sake of profit and business activity can lead this country only to economic, political and social bankruptcy. Whether the result is international war or not, if we do not have a war, but go on building battleships ad infinitum, which must be junked almost immediately upon completion, we are merely pouring money and wealth into a bottomless pit.

On the other hand, if we produce these battleships for the purpose of international war, we are

again inviting ruin for our whole economic system. Let us not forget the twenty-three billion dollar deficit of the United States, arising out of the last war to end wars. When battleships and excessive armaments are produced, even though we state that they are only to create jobs or business, we cannot, no matter how much we would like to, divorce ourselves from the political implications of armaments. If we must stimulate business by construction, let us build homes for that vast group comprising more than one-third of our population, which is ill-housed. If we insist on producing something which has no social value in its own right, it is better to build some damn dams in the wilderness than battleships. Dams in the wilderness do not involve us in wars.

I know that businessmen are in business to make money. Motion Carried! I know that the making of money has in the past, up to about eight years ago, brought with it a more or less steady increase in human activity and increased possibilities for well-being in this country. If the big financiers have come to the end of their rope and are no longer able to achieve that expansion in our standard of living, which has come with the making of money in the past, they have abandoned their way of life and their value to the community. I do not find it a happy thought that business must be subsidized by government deficit and that there are no new industries opening up for the C.I.O. to organize; but I do not believe that the failure of businessmen to open up those industries is the result of a conspiracy and is done with malice. I do not believe that the development of industry and business and the creation of our relatively advancing civilization depends either upon the genius of a mere handful of industrialist and financiers. Nor do I believe



that they have the power to deliberately create business recessions such as this one.

I believe that the failure of business and finance is the result of inability and shortsightedness, rather than to any deliberate scheme. The chief excuse for the existence of wealth and power is the creation of new wealth and new enterprise. When wealth and power is no longer able to create new human values, like the automobile or the radio, it becomes a parasite and a burden on society. It ceases to devote itself to the fulfillment of great objectives and becomes involved solely in perpetuating itself as wealth.

I want to state at this time that the misleading headlines appearing in this morning's *New York Times* to the effect that in our conference yesterday with the President, we advocated seizure of the automobile industry by the government or driving the executives out of their positions, is false and untrue. We made no such statements nor advocated any such nonsense.

In all the success magazines, the implication is that it has been the Midas touch which has kept the country going, but those of you who remember the fable know that it was this same Midas touch which brought death to King Midas. I wonder whether business has lost its touch. It is not the Midas touch any longer, either with or without the usual growing service to humanity. There just doesn't seem to be any Midas touch any more, except when somebody touches the government for more money.

Labor has not been articulate up until the present. Labor has had no voice in the affairs of the national economy. There was a time when labor did not know and did not care much about how industry was run. But things have changed. Today organized labor is beginning to learn more about national affairs. It is beginning to inquire into why business cannot run itself, except by running itself into the ground periodically. Labor today asks for representation at the council table in the interests of millions of those who toil and those who depend on them. There are some—a diminishing number, I hope—who do not welcome the advice and the presence of organized labor. There are some who would do all they can to repress it and drive it under the ground. These are the people who are seeking in this recession to strike a blow at labor and undermine its organizations and its standards. We believe this is unwise and self-defeating. Industry must recognize and deal with labor as a conscious factor which cannot be left out of its plans and computations. Labor is seeking to make life more livable for itself and for society, and will cooperate to this end if an intelligent program can be clearly outlined.

In conclusion, let me reiterate that if private enterprise cannot provide economic and social security for the wage-earners of America, then Government must do so. Furthermore, labor will not continue to submit to the destruction of its living standards by those industrial leaders who are more concerned with immediate profits than with the well-being of humanity and democracy in our self-governing republic. (Applause)

President Cravath: I believe Mr. Homer Martin's speech has been received with more agreement

than he realizes, but whether we agree with him or not, I am sure this speech has made us wish that more of our speakers before the Economic Club had been trained in the pulpit. He certainly knows how to read his sermon.

Our next speaker Professor Sprague, has had a most interesting career. He was once Professor of Economics in the Imperial University of Tokyo, Japan. For several years he has been Professor of Banking and Finance in Harvard University. During a long leave of absence, he was the financial advisor of the Bank of England, residing in London. He left that post from a call by the President to become the President's advisor on economic questions and a member of the organization of the American Treasury. He has written several books on public finances and economics.

I can think of no man in the world who is better qualified in the world than is Professor Sprague to address us on the subject under discussion this evening, Professor Sprague! (Applause)

Third Speaker

Professor Oliver M. W. Sprague

Mr. Chairman, Ladies and Gentlemen: I find myself almost in one hundred percent agreement with the two previous speakers, but I regret to say that I do not think they have given us a very specific set of recommendations to extricate us from the recession. (Applause)

Mr. Verity, and rightly, indicated something about business, that it is technologically very efficient. In the making of steel products, for example, this steel industry has and is doing a good technological job. On the matter of merchandising I am a little less – well I am not quite too complimentary in the back of my own mind. But we'll leave it at that.

I am also in hearty agreement with him that we need more cooperation and understanding between government, labor, and business. In fact, I think it might be a very desirable thing if there were no press conferences in Washington for the next three months. In the course of that period I have at least a faint hope that the authorities might make up their minds as to what they think ought to be done. (Applause)

But on the whole, I think that there is probably a growing realization that we better not just throw bricks and develop distrust of each other; that we are in a rather sad mess and that the situation is very confusing and difficult.

Here is a country with the greatest natural resources in the world, with less hazard of war than most countries, and with more ability going into business in this country than anywhere else, and with the greatest free trade market in the world, and we have not made as much recovery as many other countries, not as much as Canada across the line, to say nothing of England, Scandinavia and Australia.

Now, everybody is inclined to complain that it is the other fellow who is the cause of our

ineffectiveness. I venture to think that all groups are more or less responsible. But if I were to attempt to indicate which group is most responsible, well, I should find it a little difficult to determine whether it is business or government.

Sometimes I think it is business, because after all your businessman is in position to make decisions, to determine policies, and a good deal of the activity of government during the last years, which business dislikes, is, I believe, a consequence of business policies that were unsound, business policies that have not brought us out of the depression.

Business had a fairly free road under the Hoover regime, and perhaps the difficulties were too much to be overcome. But industry by and large did not seem to be looking toward the adoption of policies calculated to bring us out of the depression. What we obviously needed were business policies calculated to make it possible to produce greater quantities of some sort of goods and services.

With full employment of labor and capital during the least four years, we should have produced a much greater quantity of goods and services than have been produced. But, what goods?

Obviously, we could not go forward and produce more of certain sorts of things that were in oversupply at any conceivable price which would return a decent wage or profit to those concerned.

The problem of business always in an era of technological improvement is to discover the means of producing something or other at a profit in enlarged quantities. That is the problem of business. It is a problem which has been met in the automobile industry, and so well met, that in a sense that is the cause of unemployed automobile workers at the present time.

In that industry, you could get more for your dollar year after year, and that included a demand. It induced so much of a demand, also stimulated by installment methods of payment that the industry attracted to itself a sufficient number of people to produce something over 5,000,000 cars in a year, more cars than presumably can be marketed steadily year after year.

This would not be a cause of very great trouble if in the meantime some other industries had jumped into the field with a developing demand. If there were, for example, as one hoped at one time, five or six or seven hundred houses of moderate price now being produced in this country, a considerable number of the people in Mr. Martin's organization would have found employment, even though the number of motor cars might have dropped to four or four and a half million.

Unfortunately, you haven't had such developments and consequently the demand for motor cars dropped not only down to a normal prosperous level of something a bit between four and four and a half millions, but far below.

That is the problem of industry. Why is it that in the United States we have not succeeded under

our forts of business organization of diverting labor and capital into the production at lower prices something in addition to motor cars, radio and refrigerators. (Laughter and applause)

I do not think that is entirely due to a lack of confidence. After all, the motor car people threw millions of dollars into their plants every year for retooling, and more over business people a year ago were quite confident things were going forward. They were prepared to buy copper at 12, 14, 15, 16 and 17 cents. They were prepared to put up the price of steel and cement and building materials. Why did they do that? They must have had a huge amount of confidence just 12 months ago.

So far as the political situation is concerned, it from the point of view of the conservative businessman became very much better last August than it was in January of 1937, because in the meantime the Supreme Court proposition had virtually been turned down, and you had every reason to believe that Congress was beginning to feel its oats. (Laughter)

In these circumstances, it is very difficult to understand how it is that there could have been such an extraordinary confidence in business circles 12 months ago leading to a general upward movement of prices of raw materials and of finished products, a readiness to increase wages and all the rest of it.

I suggest that the trouble with which we are confronted is that business has failed and

particularly the capital goods industries have failed to develop increased uses for their products.

Too frequently they have taken the line that was enunciated by the people in the United States Steel Corporation, that no decline in price would increase the demand for steel. Now, when a wage earner takes that view, and says that a decline in his wage rate would not increase demand—that is awful—terrible. But when it comes from the U.S. Steel Corporation, it is regarded in steel circles and in other circles as well, as Gospel truth.

If this were a good policy from the point of view of profits, I might be impressed, since I am connected with an investment trust, but I do not observe it as good for profit. I do not see that the Steel Industry has been particularly profitable, not only since 1929, but in any time since the organization of the industry, of the U.S. Steel Corporation. A very poor investment!

Well, now, that being the case, it seems to me that it is up to the people in that and in other rather unprofitable capital goods industries, to ask the reason why.

Now I think the answer is fairly simple. In the case of a motor car, demand is more or less sensitive to price, unless you get the market completely saturated, but, in the case of steel, that is not true. Steel is used in association with other products—with cement, building materials of one sort or another, and it is not quite certain that a reduction in the price of steel will stimulate the demand very much.



And that is just the case with bricklayers. There is a bricklayer in Chicago, with whom I spoke recently, who told me that they came down with rates, and promptly the price of bricks went up, and there was nothing in it. It didn't increase demand.

That is what the steel people say—if they increase the price of rails from whatever the present price of rails is, the railroads won't buy more, and that is just what the workers in the railroads say—they are not supposed to come down on their wage rates.

They don't think the railroads will get any more business if they come across. Well, what are you going to do about the situation? That is the complicated factor in our industrial organization, that a large proportion of the work done and the products used, is not used separately. If you reduce the price of wages of painters, of plasterers, etc., that is not going to increase the number of houses that is built. It is not a sufficiently big factor.

I questioned that in the case of steel, for I do happen to know of certain large bits of construction that I understand would be undertaken, if the price of steel were reduced. But still, in general, that is the situation.

Now I hold that in order to develop and increase demand for labor and capital, we must use our imagination and that is one of the factors of business enterprise—or it used to be – we use must our imagination to discover what sorts of things would be wanted if they could be furnished at a

somewhat lower price than at present. That is what the automobile people have done, and that is a concentrated thing, industry, but thanks to Henry Ford and others, they have perceived this obvious truth that that is the way to get business.

Now why is it not possible for these great men in the steel industry to get together with those in say, cement, and in building supplies of one sort or another, and agree upon a reduction in prices—and don't tell me that the Anti-trust Law stands in the way. I don't believe if any group of businessmen ever got together collusively in a conspiracy to reduce the prices to the consumer, and I think I know my way about in the world too much for that—I believe if you should go to the people in the steel industry—Mr. Martin doesn't represent that one, so I can talk freely about it, but I believe if you could go to the unions in the steel industry and say that we are going in the steel industry to reduce prices of steel, not merely by the amount we are going to ask you to reduce the wage rates, but by a good bit more—that we are not asking you to reduce the wage rates, but by a good bit more—that we are not asking you to reduce in order to pay \$125 on steel common, but we are going to stand a loss for a year or two, in order to meet a situation and if we have gotten the building people to come across as well. I think then you would have a basis for at least considering with a group of workers, to see if they would not meet that condition as well.

Then there would be a reason for expecting increased demand for labor. But, if they simply asked me to reduce the wages and they were not going to make reductions in the steel prices, I wouldn't stand for it. It isn't reasonable to expect wage reductions first.

And I would go along with Mr. Martin, to this effect, that a general reduction in wages would not get us anywhere. It would reduce consumer purchasing power, and disorganize the demand for a great many products.

On the other hand, I am indisposed to think that some wages are undesirably high, where it is reasonable to anticipate an increased demand, if you could get the product furnished at decidedly lower prices than at present. And similarly in the case of railroads. The railroad situation is a little different from that in building. But here we have had a decidedly increased price that the railroads must pay for their materials and equipment, and they must pay higher wages than those which obtained last June.

Now, the railroads are not suggesting a reduction in wages, and I don't take it that they are making any great effort to get products at lower prices—they never have, as I am aware. No, they are trying to get increase in freight rates, however, which will be a burden on all industry. Maybe that is the only way out, because the railroads are in a bad situation. But it isn't a very satisfactory way out if we are looking for general recovery, and I confess that if I were a member of the I.C.C. I should probably bring in a minority report suggesting in the first place that the railroads give up their reciprocal arrangements from whom they buy materials and equipment, and go out after lower prices from those people, and then, perhaps, suggest to the men a return to the wage scale of June 1937, in view of the fact that there was some decline in the cost of living,

and that the increased freight rates will be an additional obstacle in the way of recovery.

But you see I relate the whole problem of wages and prices to the need in one and another direction of developing an increased demand, and not merely an increased demand for the things that we have been producing to a maximum extent at the present time.

Now the Government could aid in this move—the President honored me a while ago by quoting something I had said that the maintenance of activity depended quite as much upon what is done in business as anything that might be done in Washington. But Washington can help, and it can be an obstacle, but the positive decisions of what is desirable to do cannot wisely and intelligently be made in Washington. Washington cannot bring it about that with no great change in wage rates, but with an increased steadiness of employment, there can come about that a house now costing five thousand dollars to produce can be produced at four thousand dollars.

Now that I believe to be quite within the power of business management and business organization, if it would only take hold of the problem. But that has not been done. That has been the major cause of the improvement in England. They had to make as big a change in the direction of employment as we, and perhaps greater, because they had been producing more largely for export than we, and the export market largely blew up with the collapse of foreign lending in 1931.

Capital in England went in large part into producing houses costing from four to seven hundred pounds, to the great social advantage of the community and to the advantage of those concerned in providing the work.

We haven't done anything of that sort and I insist the reason is not the Government—it is because business has not gone into that field in any such fashion as it has gone into the making of structural steel or radios or motor cars and the like.

It is just one field of activity. But just consider the quantity of labor and materials that would be used if the mass of people in the United States lived in one more room than they now live in. To say nothing of additional furnishings that there might then be room for. Here is an enormous demand whereas the motor car demand cannot increase indefinitely. There simply isn't room on the roads.

Now there are particular lines of activity that will doubtless improve whatever we do. I have no doubt that a certain number of consumer goods, products, will be produced in somewhat even larger quantities pretty soon, because apparently retailers are selling greater quantities than currently produced, and than we could have by lavish increase in government expenditures. We might grant the Veterans a couple of billions more, of course, —that would speed up especially the used car industry, in which I am sure Mr. Martin is collaterally interested. But that is not going to get us anywhere. You can have no steady and continuous and profitable employment of

capital unless it is a result of using more capital. You are providing more goods and services for the mass of the people. But I say you begin at the wrong end. If you endeavor through the government to create a demand for more goods on the chance that then more capital will be employed to produce the facilities for producing more goods of that type, a demand for more consumer goods that rests upon government deficit financing will hardly be regarded as sufficiently permanent and solid to warrant very much of an investment of capital.

Whereas a demand which results from being able to furnish the community at a profit with more of a given kind of goods at a lower price, that looks like a solid demand.

I might further suggest about government spending that while I am in favor of the government's meeting the needs of those out of work, I do not regard it in any sense whatever as a contribution to recovery. It is not positive enough and this time it would not have as good an effect psychologically as it did three years ago because we tried that and if it wasn't sufficient then, now if we try it again, we will try it with a very much greater deficit to start with. But its psychological effect upon confidence is likely to be far more serious.

Therefore, I am not contending balancing the budget at the present time. Government deficit financing in itself is only a means of carrying on, of lessening distress. It is not a positive factor bringing about recovery of a thorough-going sort of a solid foundation. (Applause)

So I come back to the problem that it is primarily up to business. Given a little more friendliness

on the part of Washington (applause) But, if we get that friendliness, we must know what to do. Confidence is essential, no doubt, but it is equally essential to do the right thing when you have confidence and in innumerable instances in the last few years, the wrong things have been done when there has been a wave of confidence with the result that confidence is speedily weakened and we turn our attention once more to the throwing bricks at the people in Washington and they in turn throw bricks at us, and with these mutual recriminations we simply get nowhere.

I do not believe that this recession need be prolonged; that we need to descend in the trough in which we were in 1932. But if that is to be avoided, I do agree with Mr. Verity that we need cooperation and goodwill. But I believe also that we need then to have a clear vision as to what should be done. (Applause)

President Cravath: Professor Sprague's eloquent speech has made me suspect that he, too, spent part of his career in the pulpit.

#### QUESTION AND ANSWER SESSION

PRESIDENT CRAVATH: Mr. Ely has already announced that we would welcome oral questions from the floor, unaccompanied by speeches.

QUESTION: I would like to ask Homer Martin this question: Has the sit-down strikes helped overcome the Roosevelt depression with three days a week and high pay to the automobile

workers of Detroit, and then get drunk and beat their wives the rest of the time?

MR. MARTIN: I will only answer by saying that an answer to that question was like an answer I once heard, there seems to be a “Methodist” in his madness. (Applause)

MR. ELY: Mr. Capshaw and then you, sir, after that.

QUESTION: I would like to ask Mr. Dubinsky a question. I see he is here as a guest. As a labor leader who is trying to bring John L. Lewis and William Green together, what chance is there that this quarrel between the two great labor organizers, or labor organizations, will end soon?

MR. ELY: The question is: What does Mr. Dubinsky, who is the head of one of the largest and most important unions in America, that is, the International Ladies Garment Workers Union—what does Mr. Dubinsky think about the chances of ending this quarrel between the two great labor organizations?

MR. DUBINSKY: I thought that we were discussing how to get out of the present recession. It seems, however, that this other matter is troubling some of us. I wonder if you read my talk ten days ago on it.

In order to be as economic as it was suggested, I would say that irrespective of the reports that



we are getting in the daily press from Washington in the last few days, I am confident that we will have ultimate peace in the labor movement. (Applause) It will come not so soon, but I have faith that public pressure, and the pressure of the people in the labor movement will unite the labor movement in this country.

QUESTION: I would like to ask Mr. Martin if he approves of the capital gains tax.

MR. MARTIN: The only thing I can say is this: that I was talking the other day with a gentleman who is the president of one corporation, on the Board of Directors of about three others, and who had been instrumental in transferring the sales for the product which he failed to take up in one company to another and that that corporation had paid dividends last year for the first time in five years.

There are many ramifications, but certainly there has been a need for some of the things accompanied by this tax.

QUESTION: I would like to ask Mr. Verity how, in his opinion, these business conferences with President Roosevelt can help to pull us out of the present recession?

MR. ELY: Mr. Verity is asked how these business conferences at Washington can help pull us out of this present recession.

MR. VERITY: The only hope for those conferences is that it might bring about a better understanding of the problems of industry and government. However, from the news reports of that conference in Washington today, it doesn't look like they amounted to very much. (Laughter and applause)

QUESTION: Mr. Chairman, I would like to ask Dr. Sprague a question. I would like to ask him if any of the present plans of the administration are similar in character to plans that he himself advocated four years ago.

MR. ELY: Dr. Sprague is asked if any of the plans of the present administration are similar to what he himself advocated about four years ago.

DR. SPRAGUE: Well, some days I think they are and some days I think they are not. (Laughter and applause)

QUESTION: I would like to ask Mr. Martin if he would favor the incorporation of labor unions so as to fix some financial responsibility upon them? (Applause)

MR. ELY: Would Mr. Martin favor the incorporation of labor unions?

MR. Martin: I would not. I understand that business incorporates not to establish responsibility but to get out from under. (Applause and boos)

This reminds me of a labor meeting. (Laughter)

MR. FRANKENSTEEN: Mr. Chairman, I wonder if I might ask Mr. Martin to verify this as to its correctness. I understand –

MR. ELY: Just a moment now. They want to know who you are. This is Richard Frankenstein, who is an officer in the Automobile Union headed by Mr. Martin.

MR. FRANKENSTEEN: Dr. Sprague suggested a cooperative cut in the cost of labor. I would like to know if it is true that the labor cost increases in the automobile industry amounted to \$12 per car, and while this increase came about during the past year through strikes and cooperative offers on the part of management, if it is not true that industry and the automobile field made over \$300,000,000; and at the same time, I would like to know, President Martin, if the automobile statistics did not show that the average wage was \$1400 of automobile employees, while at the same the standard of living that has come to be known as the American standard of living, computed by the Department of Labor, and other economic societies, did not show that \$2200 was necessary to live.

MR. ELY: Mr. Martin, your colleague wants to give you a chance to make some more good points.

MR. MARTIN: I think they are made.

MR. ELY: I think that the putting of the question carries the answer.

Here is another question: Mr. Martin, has there been any serious pressure for wage reductions in the automobile and steel industries?

MR. MARTIN: I can't say about the steel industry. There has not been in the automobile industry. (Applause)

MR. ELY: Here is one for you, Dr. Sprague. If some prices are too high, and if there is a super abundance of idle capital, why doesn't the idle capital flow into the high price industries and automatically correct the trouble?

MR. SPRAGUE: Well, the industries that I mainly have in mind are somewhat disorganized industries. That is particularly true as regards shelter. We do not have business organizations in this country developed to produce one, two or three thousand \$3000 or \$4000 houses a year ready to sell or to rent and service the same.

I do not consider that very many of the men in Mr. Martin's union should undertake to buy a house, even with a 95 percent mortgage, under the new housing arrangement. But, I do wish that there were organizations in Detroit designed to build superior houses at a lower rent than at present, and that, I think, would absorb a great deal of capital and labor.

It isn't that there are many industries making high profits. The steel people are not making high profits. Motor cars may have made high profits last year, because they never really know how many cars they will sell. The increase in prices in motor cars was not, I am confident, mainly due to an increase in wages. It was due to an increase in the material cost of all of the things that go into a motor car, and the accessories which they buy from other people.

Moreover, I am not so confident that a reduction in wages in the motor industry would accomplish very much. I believe you probably have reached something like a saturation point. I would look for improvement in demand in some other field, hoping that it wouldn't be necessary for all of the people in the motor industry who have ever been employed there to stick to that industry because there is no demand elsewhere. We might get in the same situation that we are in in agriculture. Formerly, the industries in the United States used to be able to absorb a great many people from the farms year after year, and to absorb a large number of immigrants.

What is there about the situation which seems to make it impossible for urban industries to

absorb even the number of people regularly attached thereto without in one way or another a good deal of government assistance. There must be something—I won't say rotten—but unsatisfactory in the state of Denmark. (Applause)

MR. ELY: Here is a question for you, Mr. Martin. Do you believe national prosperity can be enhanced by raising wages without increasing at the same time the productivity of labor?

MR. MARTIN: I do not. I believe that productivity must be increased. I believe that basically that is one of the questions in some of these industries that are today before us, for example, the one Dr. Sprague has just spoken about, housing, where the cost is tremendously high. That is one of the very important things. The lowering or the increase of productivity is a very important factor.

MR. ELY: Mr. Martin, you are doing so well, here is another one: Does the SEC (do you know what those magic letters stand for) restriction of speculation help or harm labor?

MR. MARTIN: As I understand it, that is a negative question. Does the restriction of speculation harm —

MR. ELY: Help or harm.

MR. MARTIN: I think that the restriction of speculation helps industry.

QUESTION: Mr. Martin told us that he wanted the automobile industry to guarantee an annual wage for four years. As I understand it, manufacturers have to have money coming in in order to pay it out. Does he know how the manufacturers can foresee where the money is definitely to come from in order to make a definite guarantee for four years was to wages.

MR. MARTIN: You misunderstood me if you thought I said that we were asking the automobile industry to guarantee an annual wage for four years. I do not make that statement. I made the statement that it is my opinion that the automobile industry might be one to lead in the direction of establishing a yearly annual wage or an annual living wage.

QUESTION: Mr. Chairman, I gathered in listening to Mr. Martin, that labor speaks of the vested interest somewhat, the ownership of the large industrial companies in this nation. Does labor or Mr. Martin consider today that we have a democratic ownership of these large industrial enterprises and that that army of investors should be given some consideration?

MR. ELY: Does Mr. Martin consider that these large industries represent—is he thinking about the large number of people who have invested perhaps small sums in these industries?

MR. MARTIN: I am not unaware of the extent of the democracy. I am certainly conscious of the

fact that there has to be a fair return on investment, and I am in favor of that. But, I am also quite conscious of the fact that that profit depends upon the consuming power of investors, and in fact, everybody, and that consuming power must be increased if the investors are to get a return on their investments. Wage increases will tend to increase the profits, at least, it will tend to stabilize profits by increasing and stabilizing purchasing power.

MR. ELY: Mr. Martin, here are two more questions that might perhaps be put together. One is: Is it true that communists are troublemakers in labor organizations? The other question is: Do Communists believe in keeping contracts with employers?

MR. MARTIN: I have never been able to figure out what they did believe. (Applause)

When we speak of idealists or of political philosophies, we are speaking of something that is quite different than when we are speaking of the representatives of a Moscow dictatorship in this country. In many instances, they have been able to worm their way into labor organizations, for employers employ them. (Laughter)

In speaking of contracts, I say again, I don't know what they believe from one day to the other.

QUESTION: I would like to ask Mr. Martin if his union would be willing to accept a cooperative wage out in line with Professor Sprague's suggestion, if the price of the product was reduced so



as to expand production.

MR. MARTIN: Well, let me say this: that there would have to be pretty good evidence.

(Laughter)

QUESTION: Dr. Sprague, do you believe there is further necessity for inflation at this juncture?

DR. SPRAGUE: He asks if I think there is further necessity for inflation. Well, to me it is very difficult to inflate, or at least to have a business inflation when business is inactive. It is like trying to inflate a punctured tire. (Laughter)

How, you could have a fear inflation. That is to say, if the government tomorrow were to decide to meet its expenses and its maturing obligations by printing greenbacks, you could have a fear inflation, a rush from currency into commodities, and a rush from the United States dollar into foreign currency. That is possible.

The other kind of inflation that many people have been talking about as being around the corner during the last two or three years we have not had. We have got the gold and the potentiality of credit expansion which might breed inflation if there were a demand for huge amounts of additional credit. But, you do not get that unless you have an intense demand for virtually all of the available supplies of material, and all the available supplies of labor.

You had that during the war, and prices went mounting upward. You do not get it in time of peace very often because of the very great difficulty of finding markets for increasing products at rapidly rising prices. Last year people seemed to think that that was coming, and they were prepared to buy additional quantities of stuff on the supposition that prices were going up and up and up, and that is one of the more superficial causes of the present recession, and one of the causes of an excess of inventories, but it isn't fundamental. (Applause)

MR. ELY: Mr. Verity, you have been having quite a long rest. Mr. Verity, I hope you will excuse me for saying this, sir, that one of the best things about your speech is that you practice what you preach.

Now, it is reported in the newspapers, in one of our New York newspapers, just recently reported, that your own company is planning an enlargement of its plant with a corresponding employment of a larger number of persons. Is that so, and if it is so, how about it? You are going ahead.

MR. VERITY: It is so, and it is as perfectly logical conclusion. We are going ahead expending money that was raised for that purpose, and no other purpose. We are doing it in a time when employment is low, so that we may give more employment. But, it is good business to build when you can in hard and bad times, when things are low. That is good business. It is bad

business to wait until things are so high and everybody is so busy that they can't do it for you.

We are simply carrying out our plans in the general belief that this American system of living is going to go on, it is not going to be defeated.

As long as you have given me the floor, I would like to make one statement. I think Professor Sprague and Mr. Martin and this audience will be interested in the statement in regard to housing.

There has been quite a little said about housing, and what the development of cheaper homes might do, as it did in England. In a little town of 35,000 in the Middle West, on its own initiatives, and at its own expense, and it is not cheap, developed an all-metal house which is fireproof, lightning proof. It is an all-metal house of five rooms and bathroom that can be built for \$3500. That may be information that may be valuable.

The statement is made very often, and we generally speak of business, and business responsibility of the community, and what business does in good times and what it does in bad times; its responsibilities in times of confidence, its responsibilities in times of depression.

What is business? Is business some aggregate thing that can be stood up, can act concretely for everybody, can have a definite responsibility to the community at large?

Is it that kind of a thing? Business is an aggregate of hundreds of thousands of small and large concerns, and every one of those concerns is busy competing in a very competitive market. It has to meet its own payrolls. It has to live in spite of competition, in spite of all of its competitors, and everything else that is going on. In other words, it has to live on its own. It has to make its way in this world. It has no power to influence somebody else in the same business or any other business. Business as a whole is not articulate. Look at the businessmen in Washington today. Are they articulate? There is a perfect mob of them down there. There is no way for them to be articulate. Every industry must live on its own. It must fight its own battles. It must do the things it thinks will enable it to preserve its capital and give such employment and dividends as it can. There is no such thing as a aggregate of business in this great country.

We say: Why should not business promote more things? Why should not it do new things and carry us forward in times of depression? The last fifty years is replete with the constructive developments created by science and industry working together. The world never saw such developments, so many new things created, so much new employment, so much creative work. The world never saw such work as we saw in the last fifty years. Yet, in times of depression, which it can no more control than it can control the tides, it is charged with not doing more things, not creating more things so we won't have depressions.

Business is the servant of the people. It depends upon their humors, whether they will buy or

won't buy. It depends upon what government does and does not do. It depends upon so many things that business certainly has its hands full.

There is no way that business can stop these tides up and down. We are always hoping that the time will come when we can cut down this curve line; that the peaks and valleys will not be so severe. We will never straighten the curve line. There will always be peaks and valleys. There should be some way that we can cooperate to an extent that we can lessen those valleys and possibly lessen the peaks. That is something for business as a whole to accomplish.

How is it going to accomplish it? Every industry and every management has its hands full in meeting its own problems, in meeting its own payrolls, in doing the development that it is paying for. The public is not paying for that development work. It must go ahead and do research work and bring out new products and new processes just as rapidly as it can. Each industry and each concern has to do it for itself. The aggregate of all those things is something that is perfectly marvelous.

I do want to make a plea for business as a whole. If there is any such thing as an entity, I would like to know where it is, how we can get at it, and how we can reach it so as to make it function better in times of depression as well as in times of prosperity. (Applause)

QUESTION: May I ask Professor Sprague a question? If housing is going to make the country

again successful, shall that housing be tax exempt, and in what other ways may it be made less expensive?

MR. ELY: If housing is to help us out of this recession, is this housing to be exempt from taxes, and in what other ways may it be made less expensive?

DR. SPRAGUE: Taxation is one of the factors. It is an infernally complicated business, this matter of better shelter. I have no doubt that in a good many places some adjustments on taxation should be made. It is one of the factors in a highly complicated situation.

I still insist that I believe the major factor is the ability to provide something better for \$5000 in 1940 than you can get for \$5000 in 1938. How to do it, is a problem that is up to business. I should like to see more brains, more business organization of the highest quality and caliber going into that field than we now have. We have a good deal of business ability going into the building of high-priced apartment houses and Empire State Buildings, and that sort of thing. We do a very good job. I think you can probably produce an Empire State Building here as cheaply as you could do it in London, if they allowed you to build any such monstrosity. (Applause)

But when it comes to building a house for \$2500 or \$5000, I don't think we are in it in this country with England or the Scandinavian countries or Holland, and perhaps numbers of other countries. It is a problem that is up to business, just as it was a problem up to certain men to develop motor transportation along the road. They conceived that if you could build a decent car

for \$1400, and then for \$1200, and then for \$1000, and less, you would tap a very considerable demand.

That is what I look for and hope for in the matter of better shelter.

MR. ELY: Mr. Cravath has a question.

President Cravath: Professor Sprague, do you happen to know whether the boom in new housing in London, of which we have heard so much, was preceded by such a thing as an arrangement to reduce costs among the suppliers?

DR. SPRAGUE: I am asked whether the boom in building was due or accompanied by any sort of arrangement among the suppliers to reduce costs.

I do not think that that was the case. I do recall one very significant fact, however. There is a very large brick concern in England, the London Brick Company. It would almost be called a monopoly in this country, although there are other brick makers. The London Brick Company reduced the price of bricks three times in response to the increased demand for bricks arising out of housing development in England.

Do any of you believe that if there was a big increase in housing in this country that there would

be a triple reduction in the price of bricks? I don't.

MR. ELY: Mr. Ratcliffe can perhaps say something to us about this.

MR. RATCLIFFE: That question about the housing policy in Great Britain, what is behind it, touches, of course, one of the central things in England since the war. I did not know the fact with regard to the London Brick Company that we have just heard from Professor Sprague. But, I can add a personal point in partial explanation.

The London Brick Company is one of the most successful single concerns that I know anything about in England, and I believe that some part of its policy in that matter of deliberate reduction of price was due to the personality of its head. The head of the London Brick Company was the late Halley Stuart, one of the most enlightened businessmen in our country, and a man with the finest social gift. His son, Sir Malcolm Stuart, was made Chief Commissioner of the distressed areas by the National Government when the step was taken of having a deliberate National policy for dealing with the special problem of those areas.

That suggests to me a connection, a social connectin between the head of a great business and the enterprise that he had so much in furthering.

We did it, if I may try to put it in very few words, in this way:



There was, of course, an imperative need immediately after the war. There has been a suspension of private house building virtually for five years. We had a need of at least a million small houses that had to be met. It was met in the first place, after the Government came onto the particular business of a Housing Act. It was met by a direct subsidy to anybody from the Government who would build a small house, whether a private builder, a company with limited dividends, of which we have many in England, or a municipality, or any other body of men. Anyone who would build a small house could get the direct subsidy from the Government at a time when building costs were very high, of 250 pounds; that is to say, \$1250.

The movement of housing went on, roughly, in three ways; by private building with the help of the Government subsidy; by municipal building, the city and the county councils going in for very large schemes, and by the societies with a limited dividend, of which I have spoken.

Under that stimulus, we provided something between one million, nearly 2 million by the time we came to the end of that movement. There was a general reduction of building costs. I was in the House of Commons about three years ago, when I heard the Minister of Health announce that the Government now felt that the continuance of the subsidy was unnecessary because, he said, private enterprise and municipal building could deal with what remained of the need, that the provision of small houses in general had now been made.

Where we failed, however, was in producing dwellings for the great body of workers on the

lowest scale of earnings. That is a matter that we have not yet managed to catch up with; and in that respect most of us feel something in the relation of a Government subsidy is absolutely necessary.

I would add one word. Although the subsidy has been stopped, there is a grant from the National Government whenever slum clearance is carried out. The aid to the municipalities when they are clearing a slum, comes from the National Government, so that we have the subsidy in this greatest need of housing in another form, and when we clear a slum we pay to the house owner the site value alone, if the dwelling has been condemned, the assumption being that rent has been paid over a period, let us say, when it should not have been paid, and therefore, that is sufficient compensation.

MR. ELY: Dr. Sprague has a little correction to make.

DR. SPRAGUE: I dislike to disagree with an expert, but I think he has left the impression that the bulk of the building following 1931 was the outcome of Government assistance. Indeed, that was the case following the war, because costs went up to such an extent that grants-in-aid or rent had to be allowed because costs were so high. Then, the Government virtually refused to do anything more. When I used to urge it in London in 1930, I always got the reply that if the Government went into it on an extensive scale, costs would go up and they would have to subsidize it.

Although they did a little slum clearance, the big building push came in 1933 in response to easy money, coupled with some reduction in the cost of producing, say, a 500 pound house, it went down to about 450 pounds.

No, between '33 and '38 or '37, the major part of the building was without Government aid, not for slum clearance. It has provided an adequacy of housing for the people above the slum class; and the Government was beginning to make plans for more extensive rebuilding in slum areas, when the rearmament came along, and I think they have slowed down upon it.

But, the slum clearance is distinct from the general housing building boom. You may say that that was a big factor in English activity until rearmament began last year.

QUESTION: As a old classmate of Professor Sprague whose economic views I have a very great respect for, I should like to ask him to what extent he believes that the surplus profits tax has been a contributing factor superficial or otherwise in the present recession.

MR. ELY: The question —

QUESTION: I am not quite finished.

MR. ELY: You will finish soon, won't you?

QUESTION: I am asking you this question because, if I remember correctly, in an address before this audience two years ago, when the surplus profits tax was under consideration I think Professor Sprague stated that in his opinion there was nothing economically unsound in the surplus profits tax.

DR. SPRAGUE: Two years ago, if I remember rightly I said there wasn't any objection in principle, if you eliminated the small corporation and put it in a three year average of gain and loss, and I still think that that is more or less true.

On the other hand, the business community has got that tax upon its nerves. It has the opinion that it is a big factor in the situation, and so it is a big factor whether or not. But for the General Motors Corp., I do not think it matters particularly. If their profits are large, then they can pay a tax, or they can get the money by offering some more shares to the shareholders with certain rights.

It is bothersome for the small corporation or for that one that has lost money, and is in financial difficulties. Like any other tax, it is one that should be introduced gradually and with the necessary adjustments. Just think of the commotion it would make if we had no income tax and next June we were subjected to the present rates for the first time! It began in a small way, and we have gradually adjusted ourselves to it, and we will, probably those with medium sized incomes, have to adjust ourselves to it some more because, of course, in order to maintain

Government credit sooner or later it is almost certain that the man with a \$30,000 income will pay 35% of it to the Federal Government as we do in England, and then some.

To do that tomorrow would be very disturbing. A new tax is always very disturbing, particularly if you don't like the necessary administrative arrangements and look at all of the situations that may be seriously affected.

MR. ELY: It is getting a little bit late. I suggest that with these two questions, we perhaps keep the rest until the next time.

MR. WENDELL L. WILLKIE, here, has been listening (Applause) with extraordinary keen ears. Here is a question for you; please ask Mr. Willkie if his industry did not reduce prices as demand increased.

How about it, Mr. Willkie?

MR. WILLKIE: I have lived in such a delightful world of make-believe for the last two hours, that it is difficult for me to get up to speak.

I listened to my very persuasive friend on my left, Mr. Martin, pose the question; which are you in favor, building damn dams or building armaments?

I am opposed to both, they were both proposed by Government. If they will just let the utility industry alone, it will provide as much labor without producing any deficit at all. (Applause)

I likewise listened to Dr. Sprague say that the reason that this present recession is the fault of business is the fact that a year ago business did have confidence as evidenced by the fact that it lost 12 cents copper. I bought several million pounds of that 12 cent copper and I haven't had a damned bit of confidence for the past five years. The reason that I bought that copper at the time was because we were all advised by other professors like Dr. Sprague that we were moving into an inflationary period. (Applause)

I may say, supplementing Mr. Martin's damning, that I haven't had any confidence for the last five years, because of dams both concrete and descriptive. (Laughter and applause)

In response to the direct inquiry, I couldn't help making these remarks, because I knew they were shared by many as we listened to this very delightful and charming discussion this evening. We have consistently, of course, reduced prices with increased demand. I may say to any of you boys who are thinking of doing that, that builds you no benefits with Government these days.

MR. ELY: We have had a mighty good time. There is just one pity, and that is, that in the upper gallery are a whole lot of Dr. Sprague's students. They had a grand chance to get back at you.

We would like to have them again, and improve that chance.

Mr. Cravath, for my part, I would like, on behalf of all of you, to thank especially these representatives of organized labor who have come here. We are immensely indebted to you. We are delighted to have the rest of you here. The presence of these leaders of organized labor just illustrates what this Club ought to stand for and ought to do.

Now, Mr. Cravath, as far as I am concerned, I am through.

PRESIDENT CRAVATH: If Mr. Ely is through, we are all through. The meeting is over.

....The meeting adjourned....