

ECONOMIC TENDENCIES in AMERICA since the WAR.

Prof. S. S. Huebner.

The third and last lecture of the series given by Professor Huebner could hardly be called a lecture in the true sense of the word, for the subject was so large and the time so short that the lecturer was only able to touch the fringe of many sub-divisions of the subject without going into any detailed explanations, but nevertheless he succeeded in giving us an interesting review of many practical problems which affect, re-act upon, or dominate the present conditions in his country.....**R. E. M. Cameron.**

Tendency No. 1.

The Increase of Wages and General Production.

Under this caption the lecturer dealt with what he considered the outstanding change in American economic conditions. Such increases in wages as the workers have received were never anticipated a few years ago, and it is doubtful if such a high rate would have been reached now had it not been for the terrible conflagration in Europe which commenced some 13 years ago, and which upset not only the economic conditions of Europe but of all the world. Whereas in general, one expects any increase in the general level of wages to be accompanied by a proportionate increase in the cost-of-living, a remarkable feature of the increase in the wages of the workers of America

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is that this increase has been accompanied by a very disproportionate increase in the cost-of-living to the direct benefit of the workers. A comparison of the following sets of statistics brings this fact prominently to our notice. The wages figures are taken from those supplied by the Bureau of Labour Statistics, New York, and the cost-of-living figures are taken from Bradstreets. These latter take into consideration 116 commodities of daily general use.

	<u>Wages.</u>	<u>Cost-of-living.</u>
June 1914	100	9.
1919	213	18.6
1920	264 (maximum)	18.8
1921	188	11.4
1922	199	12.1
1923	238	13.4
1924	220	12.9
1925	223	13.9
1926	230	13.0
1st. 6 months 1927	225	12.5

From these figures it is easy to see which was the boom year of American trade, for in 1920 both the wages column and the cost-of-living column show remarkably high figures, both reaching their peak in that year: conversely, the two following years, with their sudden drops, depict clearly that the boom was immediately followed by a trade depression. Examining the figures a little more closely, we find that

(a) the increase in wages of 1920 over 1914 was 164%, while the rise in the cost-of-living was only 107%:

(b) comparing the figures of the following year, 1921, with

those of 1914 we find that wages were only 88% higher and the cost-of-living 26.6% higher:

(c) comparing 1921 with 1920 we find that whereas wages had only decreased by 28.7%, the cost-of-living had decreased by no less than 39.4%,

The phenomenal drop in the cost-of-living in 1921 Professor Huebner explained as being due to the fact that in the few previous years there had been such an abnormal production of goods that the manufacturers, middlemen and retailers were stocked up, and in order to obtain working capital they were compelled to liquidate their stocks at very low prices.

Since the depression there have been fluctuations in both the wages and the cost-of-living, and comparing the figures for the first six months of 1927 with those of 1924 the increase at the end of June was 125% for wages, and 40% for the cost-of-living. The wage-earners are therefore in a much better position financially than they were before the war.

At the same time as wages have been increasing the hours of labour have been decreasing, for in 1914 the working-day was a ten-hour day, now there is an eight-hour day and the likelihood of a six-hour day, and one big company, the Ford Automobile Company, has even gone so far as granting a five-day week. But how are the employers able to pay their employees these high wages and at the same time cut down their hours of labour? The answer is by increased production, but

with the workers working fewer hours they have to call science and invention to their aid; machinery is invented to supersede the work of man in every conceivable way, and in many cases the invention and increased use of this machinery is brought about and stimulated by the workers themselves. Take the example of painters—they demanded an increase in their rates of pay. The employers informed them that they could not afford to pay more. The painters insisted on the increase. The employers searched for a way by which manual labour could be overcome. They found a machine—the paint-sprayer. The result was that this machine did the work of, say, ten men, and one man only was required to work it. The employers were then in the position to say “We can now afford to give you higher wages, because we get a larger output, but instead of ten men we only want one.” Nine men are thrown out of employment, but this is not a serious problem in America for there is always a big demand for labour for new enterprises and extending old ones that these men soon find other employment. The same procedure is going on all the time with different trades, with different men, but it is by displacing these men with machinery and getting the increased production that the employers can afford to pay the high wages they do.

The next fact to which the lecturer drew attention was that of the greater participation of the workers in the profits of industry, and quoted the statistics for 1921 the latest he had

available. In that year, from all sources, the Total Income of the inhabitants of the United States was computed as \$84, 500, 000,000 composed of

Wages & salaries	\$34,700,000,000
Farmers & small business men	<u>18,500,000,000</u>
	<u><u>\$53,200,000,000</u></u>

The profits of farmers and small business men, of whom there were 10 million, can be counted as wages, for to all intents and purposes they are so, they are the remuneration for their own personal efforts. The total of these two sums make it that the workers get 63% of the total income of the States. The remaining 37% of the income 31,300 million dollars is composed of interest on capital, dividends, lease rents etc., and of this sum workmen-shareholders get about 16,000 million dollars; making a grand total of 69,200 million dollars or about 82% of the total income of the country going to the workers.

This has its direct effect on the business community, for it is the businesses which cater for the wage-earners which are the most prosperous, and the most prosperous of these are the "Chain Stores."

The greater participation of the workers in the profits of industry has brought about a much better feeling between employers and employees, in fact the latter are practically their own employers, and as such take a great interest in the profitable conducting of their industry. This is demonstrated by the very few strikes that take place amongst the American

industries as a whole, which is much different from this country, Japan, which I am told has had 300 strikes in a month.

An appeal to the workers to take up shares has been a successful method for the raising of more capital in businesses and industries. But many organisations have gone even a step further, as in the case of the Electric Corporation, which has asked the subscribers to its telephone service to become subscribers to its capital. The users of the service thus have, as shareholders in the company giving the service, a voice in its management, which tends to bring about a more efficient and convenient service, for the organisers and managers are in direct touch with the people for whom they cater. This policy is carried on by shipping companies and others, the shipping companies getting the shippers to take up shares in the companies with which they ship their goods.

Tendency No 2.

Big Business.

During the last few years there has been a great tendency towards concentration—the concentration of administration, the concentration of capital—and with this tendency we have had a regular series of amalgamations of businesses of all kinds. President Coolidge has encouraged rather than discouraged these amalgamations, and the large capitalists, as well as the country as a whole have benefited from this official encourag-

ement. Free competition is now regarded as an old and dangerous system, for free competition leads to "cut-throat" competition, and "cut-throat" competition means the death of business.

The concentration of an industry in the hands of a few people or firms, which amounts to a virtual monopoly, can be very bad for the consumers, but big business can be just as beneficial as it can be detrimental, for the concentration of administration will assuredly bring about efficiency and economies; and the concentration of capital will bring about bigger, thus cheaper, buying of raw materials, both resulting in cheaper goods to the consumer if the organisers pass on a proportion of the benefits they receive from their more economic organisation. Conversely, the organisers having the whole control of an industry in their hands are in a position to exploit the consumers by demanding their own prices. This cannot be allowed; and to prevent such a possibility the Government controls the trusts and keeps a watchful eye on them.

The following figures show to what extent amalgamations and absorptions have taken place during the last few years, and they also show how greatly output has increased with only a comparatively small increase in the number of workers, but with an enormous increase in the use of machinery calculated according to Horse-Power.

	<u>Businesses.</u>	<u>Workers.</u>	<u>Value of output.</u>	<u>H. P.</u>
1914	273,000	7,023,000	\$24,000 M.	22. M.
1919	214,000	8,900,000	62,000 M.	29. M.
1923	196,000	8,800,000	60,000 M.	33. M.
1925	187,000	8,400,000	63,000 M.	36. M.
	decrease	increase	increase	increase
	32%	19.6%	160%	64%

M=Millions

The value of output for 1919 includes 50% increase in prices due to the war, but in the two years 1923 and 1925 there was a falling off in prices compared with 1919. Taking into consideration the rise in prices the increase of 160% will become an increase of 107%.

Tendency No. 3.

The Increase in the Buying Power of the People through the Instalment System.

An unimaginable amount of purchasing is carried on in the United States on the instalment system of payment, by paying a certain amount of the purchase price, taking delivery of the goods, and paying the remainder by periodic instalments. Practically every commodity can be purchased in this way, the woman buys her fur-coat, the married couple their gramophone, their pianola or their whole furniture on this system. Further still, however, there is one automobile to every two families in America, but it would be impossible to say how many of them are actually paid for and how many are in the process of being

paid for, in many cases the cars are actually worn out before they are paid for. The lecturer amusingly related that a man was not even allowed to give his sweetheart cheap jewellery now, her engagement ring must no longer contain an imitation diamond, it must contain the real thing, and if her fiancé cannot afford to pay cash for it, well, he must pay for it on the instalment plan. What all this would eventually lead to, the lecturer was not prepared to say, although he did predict that the country would be faced with a crisis sooner or later, but how soon it was impossible to say.

To carry on an instalment business the seller must have either a lot of capital at his disposal or plenty of credit, and this has made the demand on the banks for credit so much the heavier. The banks naturally demand security for the advances or credits, and the securities offered provide a striking contrast to the securities offered in Japan when advances are made by the banks. Whereas here in Japan 2/3rds. of the loans are made against property security, in the United States of America 2/3rds. of the loans are made against human life. The bankers demand bonds on a man's life—his Life Insurance Policies. Here Professor Huebner referred to his first lecture, and further emphasised it by giving one or two examples, one of which was about Wanamaker, the organiser of perhaps the largest and best known stores in America, who had to insure himself to get a loan from the bank. Well-known as he was, both as to subst-

ance and ability, the bankers told him that he must provide them with security against the contingency of his death.

While talking of the matter of raising capital by taking out bonds on one's life Professor Huebner mentioned that each year he put about 20 young men through college by this plan. These young men always argued that they had no property on which to raise capital, but he always pointed out to them that they now possessed the most valuable property they ever would, that is their life, and on this it is quite easy to raise money.

Tendency No. 4.

Speed and Convenience.

The desire for speed and convenience is very intense, not only in business but in everyday life and with everyday people. Aviation is one of the outcomes of this desire. It is a desire to get to a place in the shortest way and in the shortest time. For automobiles there are speed laws to restrict the speed at which motor vehicles can travel, but, said the lecturer, "speed laws are just as dead as is the Prohibition Law."

Referring to the telephone, Professor, Huebner, said he was very surprised at the high cost of the telephone service in Japan. In America it is regarded as a necessity, but in Japan it becomes a luxury. For five dollars a month in the States he said he could get unlimited service and the installation is free, in fact they come to your house and ask you to have a telephone

installed if you have not already done so, but if he had to pay from 800 yen to 1,300 yen he was sure that his wife would have to go to the shops and buy her household goods, clothes and other things instead of just telephoning for them, for he would be unable to afford a telephone.

Of houses, the small and convenient one's are in bigger demand than the larger, and in many cases the latter can be bought at the same price as those half the size. The women will not have large houses, they want small ones which are easily cleaned and managed, and which probably need no servant but the electric one, for much of the housework and laundry work can be cleanly and quickly done by electricity, and the woman has much time for her hobbies, studies or leisure.

The women's dresses are short to enable them to get about quickly, and their hair is short to save them time when getting up in the morning.

Quick lunch bars are everywhere, one walks in, helps oneself, pays and walks out, there are no long waits to be served in such places.

Working hours have been shortened and the workers have much more leisure than formerly. Many of them take their families into the country, or spend their time profitably in many ways, but there is the chance that too much leisure might be bad for many, we must wait and see what the ultimate results will be.

Formality is lacking in the States. If you want to see a business man your difficulty will be getting past the clerk in the outer office, but get past him or her successfully and your man will be quite willing to talk to you.

Advertising is crying out for speed. Not an advertisement appears, even if it is only for hats, that does not depict speed; it may be shown in the design or it may be shown in the words, short, pithy, get-to-your-point words, words which tell you everything in the shortest possible space, even if the words have to be specially coined for the occasion.

Publishers do not wish to accept long books, they want short ones, and the lecturer gave a personal experience of a book he has in the press on Human Life Values. He had great difficulty in getting his publishers to publish it—they told him they wanted shorter books—and he had to promise to write a pamphlet for them before they would accept the bigger book. Pamphlets, they are what the public is demanding, pamphlets rather than long books, short stories not serials.

Even education is all for speed. This is carried out by means of speed tests. What all this craving for speed will lead to we must again wait and see.

Tendency No. 5.

Motorisation.

In America there is an automobile to every two families,

the result is that American towns and cities are now faced with one of the greatest problems they have ever had—where to park the cars? The problem has become so large that in many large cities even the richest men are seen going to work by electric trains, subway or elevated. It is much quicker than trying to find a parking-place for one's car.

America has benefited remarkably by this motorisation in the matter of roads. Good roads are to be found everywhere. This was not the case before the automobile was so extensively used.

The railways have suffered considerably in the loss of passenger traffic and high freight paying commodities. As many as 2/3rds. of the persons who used formerly to travel by rail now travel by automobile; and in the matter of carrying goods, the small, valuable packages which pay the highest freights are carried by automobile for there is less handling (usually two handlings instead of from four to six on the railways), the goods are collected and delivered from door to door and the risk of loss, theft or pilferage is proportionately less.

Other businesses and professions have suffered besides the railways, for example, the country doctor, family doctor or general practitioner as he is called. His patients are simply put into a car and taken to a specialist in the nearest town or city to the detriment of his practice.

At the conclusion of the lecture Professor Nakamura thanked Professor Huebner in the name of the school and students and hoped that the lecturer would take back to his students in his University at Philadelphia, the heartfelt feelings of brotherhood of the Japanese students, for Philadelphia stands for "The City of Brotherly Love."