

with which to buy the ever greater output? Will industry have to stop periodically to give the consumer an opportunity to catch up? In other words, must alternating periods of industrial prosperity and of depression continue in the future as in the past, or can we so guide and direct productive activity as to be met by a continuous effective demand? Here again we are confronted with the problem of apportionment of the products of industry, i.e., the problem of wisely directing distribution and consumption.

With the decrease in the relative importance of labor as an active agent in production the free play of economic laws would tend to decrease his share in the products of industry derived from labor-saving devices and scientific management ultimately intended to meet the needs of the consumer. How and where is the consumer to obtain the necessary purchasing power to buy the products he needs? The liberal extension of consumer's credit, which has manifested itself in recent years particularly in installment selling, does not create new purchasing power for the consumer, as is popularly believed, but merely furnishes an outlet for and gives direction to the flow of goods produced. The actual purchasing power of those who have bought goods on credit must ultimately come from the product of the labor of those who have pledged their future control over goods, their future purchasing power, in exchange for present products. But where are the wage earners to obtain the necessary purchasing power in the future, unless they have the opportunity to earn it? There are grave disillusionments ahead for those who believe that the economic prosperity and progress of the United States depends solely upon increasing the quantity of production as much as possible, at as low costs as possible.

Both Mr. Brougham and Mr. Williams have indicated very clearly that management should not merely be concerned with increasing the physical volume of production by employing scientific methods, but should also study the problem of wisely directing the actual as well as the potential output of industry with a view to assuring its continued and equitable apportionment among the consumers. This is essential to our continuous economic prosperity, as it is reflected in our present standards of living, and to our progress, which may be called accelerated prosperity.

Shall the directing of the ever increasing volume of product, made possible by modern invention and labor-saving devices, be left to the play of competitive forces, or shall its flow be consciously guided and directed in the interest of the nation as a whole? A short time ago President Coolidge made the significant statement that the time had come to be planning for the future. If this holds true in the field of politics, how much more does it hold true in the field of industrial organization? In the very interesting book on "American Economic Life," of which Professor Tugwell is a co-author, we are told of the industrial planning as carried on by such industries as the Demmison Manufacturing Company, and the American Radiator Company. Planning for the future is not only carried on in many individual industries, but also in many municipalities. Nevertheless there is need for greater co-ordination and correlation of the industrial activity of the entire nation, "conservatively based on a careful study of normal demand." As Mr. Brougham has suggested, "We need more accurate gauges of production and consumption than at present exist." But ascertaining what industries are "overbuilt" and how much, what is their capacity beyond reasonable peak loads, and how long the peak load periods are, these and similar facts, valuable as they are, will not solve our problem. We need more than national fact finding commissions. We need an agency which, as a national advisory organization, will require the utilization of the facts found to promote the continuous prosperity and progress of the entire country.

A national planning commission, composed of a group of experts in various branches of industrial and managerial activity, could render valuable services in guiding the economic destinies of the United States. Its findings, based upon mature investigation and study of all phases of economic life, could be crystallized into a national "index of prosperity," the observance of which might be made a matter of obligation to those who control industrial activity, rather than a matter of legal compulsion.

Time will not permit me to enter into a detailed discussion of this proposal for a National Planning Commission. The possibilities of industrial guidance by such a commission may well be illustrated by referring to the prevailing condition in the auto-

mobile industry. A shortsighted policy of too rapid expansion on the part of one competitor might tend to destroy the very market which this competitor is seeking to obtain.

During the World War, as some of you may recall, Mr. Garfield, the then fuel administrator, issued a request to the people of the United States asking them to abstain from using their automobiles on Sundays, in order to aid in conserving the fuel supply. Practically everyone heeded the request. If under the stimulus of war-time patriotism we could be induced to listen to reason, how much more should we be willing to allow ourselves to be consciously guided in our peace-time industrial activities by the proposals of a National Planning Commission, with a view to assuring our continuous national prosperity?

R. G. Tugwell.¹ There are, in the papers under consideration, two widely differing topics. It is true that the question whether high wages contribute to prosperity would have to be taken into account in any rational plan which might be carried out; and that there is, therefore, a discoverable relationship between our two topics. But, in the way of approach to the general topic of planning adopted by Mr. Brougham, the question of higher or lower wages seems entirely irrelevant; for if the thesis of Mr. Brougham's paper is correct, we have no planning to do except in the strictly limited field of the currency. Mr. Brougham develops, of course, the familiar thesis of Messrs. Foster and Catchings that shortages in consumers' purchasing power block business activity and cause depressions. There is not time here to argue this question at any length, but an economist may interpose a demurrer to the general idea that any such simple formula can be depended on to govern the extremely complex phenomena of the situations which we briefly describe as prosperity or depression.

One might go even further, it seems to me, and say that there is an extremely academic cast to any discussion of prosperity, as a possible planned achievement, so long as industry is operated by the independent voluntary and competitive units which we call businesses. Planning, in a larger sense, is, in a free system of enterprise, very nearly an anomaly. It is, of course, true that through the combination movement, which has come on so

¹Professor of Economics, Columbia University.

rapidly in the last few decades, and through the growing associationism which characterizes business at present, there are growing up certain institutions which tend to tie together the business structure in a way unknown fifty years ago; and these processes of voluntary co-ordination may be said to be a step in the direction of planning. But it remains true that these are only a first step, a preliminary one, which creates the conditions out of which planning may possibly come in the future. This assumes, also, of course, that we think of the future in the social sense, which we presumably do if we are interested in so comprehensive a result as the elimination of depression or the perpetuation of prosperity. The long final step toward control remains utterly unattainable in a system of free competitive enterprise. Limitations on our traditional business voluntarism and freedom are an inevitable condition of control, whether public or private.

Constructive suggestions concerning the road to control are, of course, not in order here, but perhaps I may be allowed to say that without some more socially oriented management of the allocation of capital, and without some limitations on prices, not much can be done in the way of preventing the over equipment and over manning of industry. And these result in those pressures from excessive overhead costs and from labor troubles, which cause us to lose our heads. The lack of these controls is our most serious barrier to an ordered productive program. Furthermore the traditional governmental attitude toward business must somehow be revised. The notion that the restoration of competition is either feasible or desirable in a system whose most obvious characteristic is a tendency toward co-ordination is inexplicable except on the assumption that our affections cling more amorously to the institutions which we inherit than to the necessary arrangements which seem to grow out of our advancing technique. It is a curious fact that business men as well as statesmen prefer our present governmental policy to entering upon any active program looking toward revision.

There is a good illustration of their illogical attitude in Mr. Williams' paper. It seems true that, aside from the admitted gains to workers which would come from increased wages, the technical achievements which would be forced by the proc-