

Recent Economic Changes¹

An Analysis of the Report on Recent Economic Changes of the President's Conference on Unemployment

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"RECENT Economic Changes in the United States," the two-volume report of a committee of the President's Conference on Unemployment, is made up of two parts—the actual report of that committee occupying seventeen pages and the reports to the committee of a group of experts, occupying something over nine hundred pages.

As the committee includes men of such diverse interests as Herbert Hoover, William Green of the American Federation of Labor, Owen D. Young, Daniel Willard of the Baltimore and Ohio Railroad and A. C. Miller of the Federal Reserve Board, its conclusions are naturally on very broad lines, as the need for brevity and general agreement would prevent searching analysis of controversial points. Their conclusions, while hardly novel, are nevertheless significant in that they embody the attitude of such leaders of thought and action toward current economic developments in this country. Their most significant conclusions from the point of view of management include the following:

Acceleration rather than structural change is the key to an understanding of our recent economic developments.

The rising standard of living characteristic of the period was widespread and has reached the highest level in our national history.

Investors have invested through the stock exchange not only their savings but also the proceeds of loans until a credit stringency has resulted. The consequences of this process cannot be measured at this time.

The principle of high wages and low costs has been propounded as a policy of enlightened industrial practice.

No prosperous period in the past has shown such a striking increase in productivity per man-hour.

Continuing attention should be devoted to the new problem of technological unemployment.

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There has been balance between the economic forces—not perfect balance but a degree of balance which has enabled the intricate machine to produce and to serve our people.

Our situation is fortunate, our momentum is remarkable. Yet the organic balance of our economic structure can be maintained only by hard, persistent, intelligent effort; by consideration and sympathy; by mutual confidence, and by a disposition in the several human parts to work in harmony together.

The reports to the committee of the group of experts include:

1. Introduction, devoted largely to historical orientation, by Professor Gay.

2. A group of chapters on particular divisions of the economic structure—or "industry groups," as one chapter author terms them—Industry (meaning manufacturing and light and power production), Construction, Transportation, Agriculture and Money and Credit.

3. A second group of chapters cross sectioning all industry groups on the basis of economic functions—Consumption and the Standard of Living, Labor, Management, Price Movements, Marketing and the National Income and its Distribution.

4. An analytical review by Professor Mitchell.

Each of these chapters states in compact form the results of the most important recent investigations in its field with an evaluation of their significance. Each chapter was prepared by a specialist in that field who secured, in many cases, the assistance of other specialists for parts of the field. While the chapters are of somewhat unequal value from the point of view of the business executive, most of them well deserve careful study. I wish to call attention to the suggestion made by Dr. Person that a first reading would most advantageously include the Report of the Committee, the Introductory and the Review Chapters and the Summaries at the end of the other chapters.

The analysis in this paper and probably also the

study which most executives will find profitable, will proceed by selecting from several chapters the material bearing on certain general business problems rather than by attempting to abstract the chapters or go through them in order as written. Some of the material from the point of view of the problems of business drops into the background as contributory primarily to scientifically accurate description or wise governmental regulation, rather than to management of business and industry. Since the emphasis of the business man, moreover, is on the future, using the present merely as a starting point, it is appropriate for our discussions to magnify anything in the chapters which is of the nature of significant forecast.

The following are some of the major business problems on which, it seems to me, the report throws valuable light:

1. Does the general economic condition of this country furnish a sound background for vigorous expansion by companies attuned to modern conditions? Have conditions really improved in the period 1922 to 1927?

a. What has been the real increase in output per employe? By what means has it been secured?

b. Has an unsound use of credit in instalment selling, stock market speculation, or otherwise, endangered the economic structure?

2. Are large units more effective than small in agriculture, manufacturing, transportation and distribution?

3. Granting that larger units are frequently more efficient, what are the conditions under which such large units can be created by merger of existing smaller units with reasonable prospects of success?

4. What is the importance for a business organization of technical, operating, marketing, financial and general management research?

5. What major changes in distribution of purchasing power have an important bearing on the problems of merchandising?

6. What methods are proving successful in the personnel problems of large corporations?

To return to the first question, briefly—Our General Economic Condition—it is obviously impossible to do more at this time than to indicate some of the most important material in the report bearing on this major question. After the late unpleasantness associated with the quotation factory at the corner of Broad and Wall Streets,

the fundamental soundness or unsoundness of our recent prosperity is one of the most important determinants of the future plans of any business man. In one sense, of course, it was the major purpose of "Recent Economic Changes" to assemble the evidence on this question. The general verdict of the report, as I get it, is that:

The economic forces at work in the United States are in the main well balanced, resulting in a very satisfactory economic background for vigorous enterprise adapted to the changing needs and desires of an enlightened public with unprecedentedly large and increasing purchasing power. On the other hand, an enterprise which does not meet a recognized need or is not in accord with public desires, should recognize that its success depends on its changing itself or the desires of the public.

Economic conditions have notably improved during the period 1922-27. Factory production has increased on the average somewhat more than twice as fast as the population, the rate of increase in certain industries such as automobile and petroleum production being far ahead of this rate. Agriculture has recovered in considerable measure from the post-war slump. Corporate earnings have increased sharply and the financial status of most corporations is enormously improved as a result, in part, of a series of successful years and, in part, of the issue of new securities which remove or much reduce the need for temporary assistance from banks. Average real wages and real income are measurably better, with important improvements in the living standards of most of the population.

But the critic may argue that these changes merely reflect the reaction from the 1920-21 depression and that the future may see a return to old conditions. The answer to this point of view is found in a consideration of the reasons for the improvement which are fully discussed in several chapters of the report.

As stated by Professor Mitchell in his review, all the partial answers given in the various chapters may be condensed into one: "Since 1921, Americans have applied intelligence to the day's work more effectively than ever before. The old process of putting science into industry has been followed more intensively than before; it has been supplemented by tentative efforts to put science into business management, trade-union policy and government administration."