

thought and action. Executives associated with big business have not been slow to see the implications in the statements we have made. It is a characteristic of the leaders that they try to forecast their markets and adjust their business plans to what is likely to happen. But it is also characteristic that expansion appeals to the imagination of the majority of American business men and has become a part of their habit pattern. The present economic situation gives evidence that they have not as a whole been heeding the tendencies which I have been describing. With these population changes accompanying a rapidly developing machine and management technique, the result of unconsidered expansion was bound to be unemployment, with its consequent distress, lowered standards of living and charitable doles. It is probably safe to assume that the development of machine processes and efficient management methods will continue into the future. This may mean still further competition for jobs and still further distress because of the fact that an older people will be less able to meet this competition.

From the point of view of consumption, and of stability of business and investment, it is obvious that the decline of the rate of increase of population accompanied by a rise in the rate of increase of productivity creates—has already created—most serious economic problems. (See Chart II) Industry is, as it were, between a pincer's jaws, a declining rate of population increase pressing it on the one side, and increasing productive capacity on the other. At the same time, the quantity of capital seeking profitable investment is increasing.

There is no need, however, to adopt an unduly pessimistic view. A constructive acceptance of the changing conditions of our time should enable us to cope with the situation. Increasing productivity both

in agriculture and industry may be possible along with a slackening rate of population increase if the per capita demand for goods can be widened. One has only to observe the city slums and poverty-stricken agricultural districts to realize the possibilities along this line. Demand cannot be widened, however, without increasing the purchasing power of a large body of the people through a wider sharing in the economies of machine and management technology.

The problems presented offer as great a challenge to the imagination of the American business man as did the pioneering conditions of a half century ago. Possibilities of adapting quantities and kinds of product in accordance with the changing age composition of our population will appear. An increase in leisure, either through reductions in working hours or the shortening of working life by means of earlier retirement plans, always provided this increase in leisure is accompanied by adequate purchasing power, may be seen as widening the demand for goods. It is even possible that further measures of social and political control may come to be looked upon by business men as advantageous.

The changes in thought which may follow population changes and their effects upon industry are also interesting to consider. Will an older people be a more conservative people? How will our thinking be affected by an increasing homogeneity of our people due to the falling off in immigration? And an increase in leisure time, if it is achieved, may have far-reaching effects on our thought. All of these influences, as well as the more clearly defined aspects of the picture, will modify the nature of needs and must be considered by the industrialists. The picture is too confused, and too many conflicting tendencies are evident, to make definite conclusions possible at this time. That a challenge is being presented cannot, however, be questioned.

**M**ASS PRODUCTION is not simply large-scale production. It is large-scale production based upon a clear understanding that increased production demands increased buying, and that the greatest total profits can be obtained only if the masses can and do enjoy a higher and ever higher standard of living. For selfish business reasons, therefore, genuine mass-production industries must make prices lower and lower and wages higher and higher, while con-

stantly shortening the workday and bringing to the masses not only more money but more time in which to use and enjoy the ever-increasing volume of industrial products. Mass production, therefore, is *production for the masses*. It changes the whole social order. It necessitates the abandonment of all class thinking. . . by all who wish to live successfully in the machine age. (E. A. Filene, *Successful Living in This Machine Age*, Simon and Schuster, page 1.)

## The American Consumer Market

Wages and Salaries as Buying Power—The Paradox of Profitless Prosperity

Adapted from *The Business Week*

**D**URING the past summer THE BUSINESS WEEK has published a noteworthy series of articles under the general caption "The American Consumer Market, A Study by THE BUSINESS WEEK." These articles have told how Americans spend their money; who does the spending and for what. We consider them so timely that we have secured permission to present a few of the more significant data to our members.

The figures were compiled under the direction of Virgil Jordan, economist of THE BUSINESS WEEK and the McGraw-Hill Publishing Company, with the collaboration of Robert R. Doane, who is responsible for the statistical compilation. So far as we know this is the first piecing together and systematic treatment of a surprising amount of available information relating to consumption for the period covered. The main sources of material are described in THE BUSINESS WEEK of April 27, 1932.

### A Budget of Consumption

The essential significance of Tables I and II is that they set up a complete budget of the American people as consumers, and give a comprehensive picture of the standard of living of this country over twelve years of rapid change in consumer habits and social customs. It is important to note that the value of goods and services consumed is not necessarily the same thing as the amount of money spent for them by consumers, for much is consumed that is not fully paid for by individual consumers, and individuals pay for much that they never consume. Some attempt will be made later to account for this discrepancy. On the whole it is safe to say that the consumer goods as well as services produced each year are pretty completely consumed or sold at some price, whether fully paid for or not. The actual amount paid for them lies somewhere between the estimates of recorded money income and the tables here given of

**The American Consumer Market**  
Total Value of Goods and Services Bought, Taxes Paid and Savings by Individuals in the Continental United States

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Food	21,495	23,549	18,036	19,093	20,734	20,765	21,807	23,166	23,194	24,508	24,392	21,712
Housing	12,757	13,918	12,948	13,677	15,121	15,294	15,961	16,894	17,229	17,858	18,337	16,178
Wearing apparel	9,577	10,665	7,923	8,576	10,067	9,589	9,341	9,924	9,277	9,739	9,313	8,044
Transportation	6,998	8,006	7,110	8,400	9,914	10,516	11,247	12,300	12,281	12,811	13,815	12,360
Personal activities	6,933	7,868	6,610	6,926	7,394	7,736	8,213	8,839	9,380	9,831	10,497	8,903
Savings	6,042	6,741	5,371	5,750	6,290	6,425	7,446	8,530	10,054	12,650	12,543	7,892
Recreation	1,754	2,104	1,750	2,135	2,441	2,677	3,054	3,522	4,151	4,543	5,250	4,171
Health	1,896	2,155	2,104	2,270	2,482	2,672	2,847	3,088	3,286	3,578	3,776	3,330
Direct taxes*	2,364	2,268	2,033	2,219	2,026	2,114	2,282	2,364	2,448	2,433	2,685	2,457
Education	1,352	1,418	1,251	1,372	1,487	1,587	1,718	1,898	2,051	2,181	2,308	1,994
Social activities	1,140	1,271	1,224	1,212	1,335	1,444	1,530	1,626	1,735	1,864	2,030	1,874
Civil	594	650	640	710	753	783	836	900	972	1,085	1,155	1,203
<b>TOTAL</b>	<b>72,902</b>	<b>80,613</b>	<b>67,000</b>	<b>72,340</b>	<b>80,044</b>	<b>81,602</b>	<b>86,282</b>	<b>93,051</b>	<b>96,068</b>	<b>103,081</b>	<b>106,101</b>	<b>90,118</b>

\*Not paid in connection with any other expenditure.

Table I