which will automatically amortize the government advances, is the kind of a credit expansion that will work. It will start the wheels of industry turning and revive demand for every kind of commodity and service.

With activities thus started, manufacturers, for whose products there will now be a renewed demand, will gladly avail themselves of the credit which the banks will be ready to extend to them—and thus will the credit theory be vindicated.

In the light of these conclusions it may be confidently asserted that had the Reconstruction Finance Corporation been created two years ago to extend credit for governmental works and self-liquidating enterprises, the depression need not have lasted as long as it has. The five billion or more dollars lost by the federal government alone in budget deficits during the depression could have been spent productively to revive flagging demand and thereby prevent the deficit, and what turned out to be a major depression of devastating proportions need not have been more than a brief recess in the nation's busy activity.

An excellent illustration of the importance of applying credit at the right point is furnished by Clarence M. Woolley's chapter on "The Making of Homes." Mr. Woolley points out that

between four and a half and six million people are employed in the building industries when they are running in normal fashion. . . . It has been estimated that a quarter of the entire population of the United States receives, directly or indirectly, a substantial part of all its income from construction (p. 223).

Mr. Woolley is "strongly of the opinion that the influence of sound building upon sound prosperity is very great," among other reasons, "because in the process of building, credits are created which start a free flow of money in an almost infinite number of directions" (p. 224). Here we have another independent confirmation of the view that the way to bring about the beneficent effect of credit on business is to start construction activities that will soon entice the credit money out of the bank tills into the channels of business.

Mr. Woolley is firmly convinced that the depression of 1929 was caused largely by the slack which set in in building a year before, not because of overbuilding "but because stock speculation bid up the price of money" (p. 224) and thus brought about a contraction of credit. Citing some interesting statistics to prove his contention, he adds:

It appears from the figures that everything in the nature of an actual shortage of buildings had been covered by 1925. From that point on, building proceeded because the builders could get the credit. As they went on, the money they distributed promoted enough general credit to give them customers and tenants for their enterprises. The movement stopped only when the money stopped and not because profitable opportunities were lacking. For instance, I have had presented to me no end of projects for tearing out portions of the slums of New York and replacing the hovels with well-designed apartments—but they cannot go forward for lack of money. That the projects in the main are both public-spirited and profitable is shown by the record of one which has been completed. The rooms in the big, new tenement are quite as comfortable as any Park Avenue apartment but the rent is only twelve dollars a room per month. Every one of the apartments is rented. In all, two hundred and sixty-five families occupy the building. They and their six hundred and fifty children are living under fine, healthful conditions but they pay no more than the half million families in the district who are forced to live in old buildings without even elementary conveniences. The new building pays six per cent after amortization and all charges. It is strictly a business undertaking. An immense present field awaits money in the clearing out of the slums both for civic decency and for profit. There is no surplus of good quarters in the slums! (p. 227).

Readers will be interested to learn that on the single score of obsolescence "about a billion dollars in new construction is required each year" (p. 228).

In addition, about half a billion dollars each year is needed to replace structures destroyed by fire. Merely to remodel the existing urban and rural homes which have neither central heating nor bathrooms would mean a business running into at least fifteen billion dollars. And the remodeling is postponed for only one reason—the lack of money (p. 228).

F. Cyril James' "The Road to Revival"

Professor James' "The Road to Revival" is not in the nature of an original contribution to our economic knowledge but is the product of a broad study of a vast literature bearing on the problem of the business cycle. The book bears evidence of the influence of Keynes upon the author who whole-heartedly and unequivocally adopts the former's conclusion "that a policy of monetary inflation offers the most satisfactory means of escape from the immediate depression" (p. xiv). However, says he, "There are dangers in credit inflation." There is nothing new in that. Keynes and Snyder would avert that danger, by alternately increasing and decreasing the flow of credit, so as to keep business on as even a keel of healthly activity as is humanly possible. James goes beyond that. "It is necessary," he says, "to look beyond the immediate future and to define clearly the aim toward which economic activity is to be directed once the business revival is under way" (p. xiv). That aim

"is the enriching of human life" (p. 188). As a means to that end the author proposes: (1) "The scientific management of the monetary mechanism (p. 194); (2) closer co-ordination of business activity within each industry by means of amalgamation or creation of cartels" which is to be achieved by the repeal of the anti-trust laws (p. 155) on the one hand and the "expansion of the regulatory powers of the Federal Trade Commission" on the other (p. 195). All this would help bring about "the adjustment of the volume of production to the amount of consumer demand" (p. 195).

Professor James seems to forget that in Europe, particularly in Germany, cartels have enjoyed practically unlimited freedom of action, but beyond succeeding in raising and maintaining prices at high levels, they have utterly failed as instruments of prevention of depressions, although they have been instrumental in restricting output. The adoption in the United States of the cartel method of regulating production in separate industries would at best succeed in holding production down to consumer demand. In so far as it succeeded in price raising, it would still further reduce that demand, but the author fails to show how the adoption of the cartel system would bring about an increase in consumer demand so as to give employment to those who would be rendered jobless through keeping production down to demand!

The author apparently is aware of that and in order to bring about that "enrichment of human life" which he has set forth as the final aim of all economic activity, he proposes: (3) "to provide for the gradual improvement of the general standard of living, to increase the security of the individual worker, by a system of unemployment insurance and old-age pensions" (p. 195).

Another measure to bring about the same end is: (4) "a redistribution of national income (p. 188) by a sharply graded supertax on incomes of $10,000 or over" for the benefit of the "more than nine-tenths of the thirty millions of income receivers in the United States (who) pay no federal income tax under the present law" (p. 185).

With the funds derived from this source the government would be in a position to make substantial additions to the real income of Labor by the development of social services, the creation of parks, the construction of roads and many other services. If a similar policy were followed by the several states in their fiscal arrangements, such things as housing schemes, police protection and sanitation might be added to the list of services performed primarily for the working classes at the expense of the capitalist group (p. 185).

In order to co-ordinate these regulatory economic activities of the government he proposes (5) to place the necessary powers in the hands of the Federal Reserve Board and the Federal Trade Commission aided by an Advisory Economic Council (p. 195).

Unlike Mr. Crowther, who, following the lead of Dean Donham, would erect a Chinese wall about the country to completely shut out all foreign trade, Mr. James feels that our export trade is indispensable to us, both to enable our industries to be operated profitably and to maintain a well-balanced world economy, of which we are an inseparable part. To this end, he would (1) greatly reduce, if not largely abolish, our protection duties, of which our giant industries no longer stand in need (pp. 217-218); (2) bring about "close and continuous international co-ordination of financial and economic policies" (p. 205), for which purpose he would have the Federal Reserve Board join the Bank for International Settlements.

As a measure of immediate relief he would cancel our War debts along with the cancellation of reparations.

It is not necessary to agree with all of the author's views to recommend his book as a handy broad review of the economic questions upon a proper solution of which depends the ultimate problem of our day and generation: the overcoming of the dread economic epidemics of depression and insecurity which are eating at the vitals and crushing the spirit of the peoples of the civilized world.

NECROLOGY

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July 27, 1855 — October 6, 1932

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An internationally distinguished civil engineer, particularly in the field of hydraulic and fire-protection engineering, Mr. Freeman was held in the highest esteem by his profession in every country and was at the same time equally distinguished in the United States by a career of public service. His fellow-members in the Taylor Society will hold him in grateful remembrance also, because he early perceived the technical and social significance of the work of Frederick W. Taylor and always remained an active promoter of scientific management.