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BUSINESS CYCLES OF YESTERDAY AND TODAY

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A DISCUSSION of the problem of what brought about the break in the stock market last fall, and the slump in general business conditions which followed, (and from which the country yet has not recovered) is of interest to every business man. Why did the stock market break? Did its break cause the slump in business or did the impending slump in business cause the break in the stock market? Why did business slump? These happenings were similar to, yet different from, other fluctuations in general business conditions which have occurred periodically in this country for the past hundred years. Fluctuations in general business conditions are known to students of the problem as business cycles. In order to understand what led up to the present business slump it is necessary to know something of the nature and characteristics of business cycles which have occurred in the past as well as to analyze the happenings which immediately preceded the slump.

Each business cycle is broken up into different phases or periods, such as the boom phase, the crisis phase, the depression phase and the recovery phase, but all cycles do not have the same phases. Each phase of a cycle has certain distinguishable characteristics: A boom is always characterized by rapidly rising prices, inflation of bank credit, speculation in commodities and securities, rising wages, and high profits. A period of depression is always distinguished by falling prices, business failures, decline in bank credit, falling wages and unemployment.

There are two kinds of species of business cycles. First, we have the inflational boom species of fluctuations in the general price level which we commonly call Major Business Cycles; and second, we have the mild non-inflational fluctuations in the general price level which we generally call Minor Business Cycles.

Fluctuations in the general price level is an outstanding feature of both major and minor business cycles; but the price swings are much greater in the case of major cycles than in the case of the minor ones. The extent of the price swings is not the only characteristic which distinguishes the one from the other. The nature of the price movements of the major cycle differ greatly from those of the minor cycle:

The price fluctuations of a major business cycle consist of the following characteristic movements: First, (the boom)
period of a rather rapid upward swing of the general price level made possible by a rapid expansion of bank credit; second, (the crisis) a sharp downward trend in the general price level, and (the depression) a continuation of a slower downward movement in the price level while bank credit is being deflated; and, third, (the recovery) a slow, irregular and "spotted" upward trend in the general price level until it reaches a comparatively stable trend. The span of time covered by these three marked periods of price movements may be from three to eight years.

Ordinarily the price movements of a minor business cycle occur about as follows: First, (an apparent equilibrium) a period of a comparatively stable price level and little or no evidence of the inflation of bank credit; second, (the depression) a period of slight but perceptible decline in the price level and some contraction of bank credit; third, (the recovery) some expansion of bank credit and the stabilization of the price level somewhat above the lowest point reached in the previous decline but not necessarily at the exact level which prevailed prior to the decline. The span of time covered by the last two phases may be from six months to two years, whereas the first may last for several years.

This country has gone through several major business cycles and has experienced many more minor ones. In 1837 a major boom terminated in a crisis and a succeeding depression; again in 1873 the Civil war boom terminated in a crisis which was followed by a depression. In 1893 a business boom was brought to a close by a severe crisis which was followed by a long period of depression; then in 1907 another boom was brought to a close by a crisis. The World war brought about the biggest boom we have ever known; this boom was terminated by the crisis of 1920.

In between each of the major business cycles one or more minor cycles have occurred. There were slight business depressions in 1848, 1858, in 1860, and in 1887. Since 1900 there have been several minor business depressions or reces- sions. In 1903 a slight one occurred, and in 1913-14 another one occurred. Since 1920 we have had two marked recessions in business: In 1923 a slight one occurred which lasted on into 1924; again in 1929 the stock market crash occurred and was followed by the depression which we are still experiencing.

All business fluctuations are due to changes in the prospect of profits from business enterprises. The introduction of new inventions into industry which bring about new processes of production and new kinds of goods, and the exploitation of natural resources, offer new and large prospects of profits to those who invest in them. When large quantities of bank credit are used to take advantage of securing such prospective profits the general price level is pushed up rapidly and a boom occurs. The boom is the first phase of the major business cycle, and the other phases of crisis depression and recovery will inevitably follow in their natural order. The boom movement of the major business cycle could not occur unless the bank credit is inflated sufficiently to permit the cumulative upward movement of the general price level. It is possible to eliminate the major business cycles through the control of the expansion of bank credit. The Federal Reserve Board has so effectively controlled the expansion and contraction of bank credit since the recovery from the crisis of 1930 that no major business cycles have occurred.

It is believed by many students of the problem that the fundamental cause for the occurrence of the minor business cycle is the occasional accumulation of surplus stocks of goods or over-investments in circulating capital goods in the form of finished goods which cannot be sold at a profit. When this fact of surplus stocks is realized by business enterprises they attempt to reduce them by curtailing production and throwing the surplus goods on the market. This action on the part of business enterprises brings about the business depression. The minor business cycle, then, is caused by, or due to, an imperfect working of our capitalist-competitive-profit system. Anyway, the minor business cycle is not essentially a bank credit phenomenon, and its occurrence could not be avoided by the control of bank credit.
competitive industries, such as the cotton manufacturing industry.

The growth in large-scale production and the decrease in the cost of production made it possible to reduce the prices of commodities and at the same time to increase the profits. But business managers reduced the prices of the products they had for sale only to the extent that it was necessary for them to do so—it is only by following this policy that they are able to protect their profit margins. The following of the policy of holding up prices brings about an accumulation of a surplus stock of finished goods in the hands of producers and distributors. By the fall of 1929 this surplus of goods became a burden in many industries.

By September these unfavorable underlying conditions produced a nervousness in the stock market. It became evident that the stock market was over inflated and in October the break in the market started. The stock market break was the beginning of a definite recession in general business conditions. Confidence in the business outlook was shaken, and the unfavorable underlying business conditions became evident.

The break in the stock market reduced the current buying power of a large percentage of our population which in turn had a depressing influence upon the retail market. There was then a general slowing up of buying on the part of retailers and wholesalers. The slowing up of trade brought about a break in the prices of goods of all kinds which in turn brought about a reduction in the output of goods. The reduction in the output of goods brought about unemployment and a reduction in the buying power of the public. Reduction in the buying power of the public brought about further decline in prices and a further reduction in output. The recession continued to become intense until about March 1. Since that time there has been a slight improvement in conditions.

The stock market has now been deflated. The prices of securities are back on a much lower level. The inflated credit used in the stock market has been squeezed out, interest rates have been reduced, prices have been reduced, the volume of retail sales is now increasing, excessive stocks of goods have been reduced, there has been some increase in the physical volume of production, and business is assuming a more normal aspect. It is probable that business as a whole will be fairly good by next fall, but some industries will be left in a depressed condition, such as the automobile industry, cotton textile industry, and probably the oil industry.

Large or small, light or heavy, no matter what type physically, there is always a place for him on the wrestling mat. In wrestling every muscle of the body is used and a harmonious and complete development can be had. A wrestler acquires as perfect a physique as it is humanly possible to get. Wrestling inculcates in a boy the qualities of determination; desire to win; self-confidence; independence; and a desire to keep in the best physical trim in order to be of greater service. Wrestling helps to keep us young in mind, body and spirit.

The wrestling team is composed of native Oklahoma boys. There are five seniors on the team this year that will be greatly missed after their graduation. The three "mighty atoms" M. Leach, Capt. L. Mantooth, and L. Miller, all consistent winners for the last three years will be hard to replace. The other seniors are L. Danforth, and O. Leach. The juniors on the team are Captain-elect B. O. Bass, Philip Berry, and Raymond Inglis. The sophomores, Hardie Lewis, Curtis Turner, Elton Eubanks, and Earnest Childers, all gave a good account of themselves in this their first year, and promise to develop into excellent wrestlers. There are several other men who have not made the team but are wrestlers of unusual ability, and have given valuable opposition to the varsity men. Some of these are Kasparr Hurr, A. N. Griffith, Harold Sidwell, Douglass Lane, King Massey, and Sam Krasner.

The freshman squad was unusually large and strong. There were about seventy-five freshmen checking out suits, and more than fifty remained out all year. Those with the most outstanding high school records are Lloyd Gibson, Geary, 155 pound state champ; Merle Watkins, Hobart, 95 pound state champ; Luther Farris, Yale, unlimited state champ; Cecil Farris, Yale, 125 pound state champ to 1928 and Warren Gunter, Elk City, 145 pound runner-up.

Other freshmen of unusual ability were W. J. King, Sand Springs, 115 pounder; Ted Garvin, Ponca City; Marion Johnson, Broken Arrow, 125 pounds; Albert Mantooth, Purcell, J. L. Mayes, Norman, 135 pounders; J. Murray, Cleveland, A. N. Wilkins, Bartlesville, and Cecil Feree, Skiatook, 145 pounders; H. Musgrave, Elk City, C. T. Hucky, Norman, Ray Frogge, Norman, and Ralph Sewell, Oklahoma City, 135 pounders; Forrest Haddock, Anadarko, Ray Waugh, Okmulgee, 175 pounders.

Several of these men are expected to fill holes in the varsity caused by graduation.

A tournament that set a record for the number of men weighing in, and which established a precedent for keen competition in all weights, school and individual wrestling championships were determined at the University of Oklahoma January 21 and 22.

A total of 107 high school wrestlers