esses of raising them, would leave business in a sounder situation than before the increases were made. If this is true, and Mr. Williams seems perfectly certain that it is true, it is not at all clear to an outsider why it should not be done. Or is it true that business men are not, as they are supposed to be, really pursuing profits, but are rather managing their businesses for the protection of an existing rate of wages? Are they more concerned that nothing should be disturbed than that something should be disturbed which would benefit not only workers but themselves? There is no possible logical answer to this riddle. The curious attitude which is revealed must be traceable to the lack of co-ordination and planning, a lack even of the idea of a general plan for industry. Not all businesses at any one time are presumably in a technical position which would make it possible to double wages and still continue to operate, and we have no means of putting pressure on those businesses which could do this and still prosper. We therefore assent to waste and to failure to pursue a program of admitted progress, because the whole machine is geared to the pace of the least efficient. This is one of the implications of Mr. Williams' paper which is not very clearly faced. He comes at the end, it is true, to a recognition of the need for a policy but makes no suggestions for practical first steps. If one wanted to be humorous he might suggest that employers who feel as Mr. Williams does might band themselves together and allocate a part of their surpluses to a subsidy for the American Federation of Labor. I say this because the general wage doctrine which Mr. Williams states is an orthodox one for the Federation. It has been stated again and again, in the most unmistakable terms, in official resolutions and in speeches and articles by their executives, that the progressive increase of wages would force efficiencies. Some business men see this as well as they do, but no one seems to see that what stands in the way of the application of this pressure is the very system of business itself. This field of inquiry both groups alike are extremely reluctant to enter, but they must enter it if they are to discover any workable means for the objectives which they have in common.

There is one other question raised in Mr. Williams' paper which seems to me worth considering seriously: whether—granting that the resulting pressure will result in increased efficiency and lowered costs—it is better to create this effective pressure by raising wages or by lowering prices. Mr. Williams makes a persuasive plea for higher wages. The chief point which he makes is that higher wages would go to his own employes and therefore would be effective as incentives to increase production and generally higher morale. This is perhaps the crucial consideration for an individual employer; but if we look at the situation from the point of view of a revised social policy, which, as I have said, seems to be an implication of the general argument he makes, it can be argued that lower prices will be more effective for the desired purpose than increased wages. For lower prices *are* higher wages—real wages. Of course the gains do not go to the specific group included under one management, and so the incentive value is lost, but there are certain other gains. Lowered prices tend to radiate, as reduced costs, throughout the whole productive system and so to create a heightened purchasing power among consumers, greater activity in production, more employment and greater stability. This is admittedly more true in the market for staple goods than in that for luxuries, but this is the area in which social welfare is most affected. On the whole, from the strictly social point of view, I think it can be argued that lowered prices are more desirable than higher wages, if it is admitted that either is possible under a given situation.

This again is one of those fields in which it seems to me that a scheme for national planning is essential to any general balance of forces which would be nationally effective. It has always been a source of great regret to me that the experiment which was undertaken during the war by the War Industries Board was not continued into peace times, for I feel that there were in it the genuine beginnings of a national plan, the only one which our jealous guardianship of antique institutions has permitted. The only other comparable experiment of which I know, is that being tried in Russia at the present time. This is not the place to attempt any discussion of national planning, but I cannot leave even so brief a discussion of the subject without saying that, in her National Planning Board, Russia may possibly have devised a scheme which we shall find it necessary, as time goes on, to study for its possible applicability to our system in the creation and perpetuation of a general national prosperity.

Closure

H. B. Brougham. It seems generally to be agreed by the gentlemen who have discussed my paper that a real problem exists, how to establish adequate consumer purchasing power for the full capacity of the nation's industry. I am especially relieved that no one has raised the outworn "barter" argument, that production in a money economy can, during the short-term fluctuations of business, of itself finance consumption. Every business man and every management engineer is constantly confronted with the disturbing fact that production in general does not provide its own outlet for anything like the full capacity of industry.

Further, those who have criticized details of my argument freely admit its thesis, that prosperity must be planned. I would subscribe to most if not all of the observations of Professor Tugwell and Mr. Mallery. Professor Scholz will be gratified to learn, I am sure, that the Pollak Foundation in its forthcoming book "The Road to Plenty," by Messrs. Foster and Catchings (which is now in the hands of the binder) calls for the establishment of a Federal Prosperity Planning Board. The authors suggest that this Board, if and when constituted, shall gather and measure the data relating to consumer income, laying hold of all existing information, supplementing it and advising the Government how to use the data as a guide in all fiscal matters. The Board would be clothed with power to determine when, and to what degree, expenditures should be made under a Congressional policy of long-range planning of public works. Through its own acts and its published statements, influencing State and municipal authorities and the business community, it might provide private business with necessary leadership.

When the indexes show the need of re-enforcing consumer demand, which the Government cannot meet with added expenditures, the Prosperity Planning Board would be empowered to occasion such expenditures out of funds already accumulated, or out of loans which involve an expansion of bank credit. For it is manifest that a declining price level can hardly be rectified by aid of Government expenditures, if all the money which the Government spends is collected as taxes in the same period. In reply to Dr. Meeker, I would call attention to this passage of the same book (p. 193):

> At most times, perhaps at all times, the needed expansion of money actually will come from other sources, because private industry will be stimulated, under our policy, to make capital expenditures. And that is the chief way . . . that consumers do obtain the needed flow of money when times are good. Still, we can never be sure whether the flow of income from this source will be too large or too small. The whole project is so very important that the Government should stand ready to borrow money if needed for the purpose.

I must apologize to Dr. Meeker for furnishing him with a rather indistinct carbon copy of my paper. Otherwise he would have seen that it emphasizes this view, and that the term "non-productive," applied to a city hall or similar non-manufacturing public works, was severely limited to works which "when completed, could not be used for the further production of intermediate or consumer goods." Of course, the wages and money spent on materials for such works would flow into a falling market as new purchasing power, without further increasing the surplus of consumable goods that occasioned the decline, and would tend to rectify the price level and ward off depression. I freely grant that, in other senses, public works are useful and productive.

Dr. Meeker calls attention to the fact that the Foster-Catchings diagnosis squares with the familiar equation expressing the quantity theory of money. I am glad that this formula is not new or original with me. Procrustes, innkeeper and owner of the famous bedstead, had his own equation. He might have remarked to the traveler who suggested that the bed be made to fit the tall night's lodger rather than that the lodger be fitted to the bed by the Procrustean method of sawing off his legs, that the traveler's idea was not new or original. In very truth, Procrustes himself had been bringing about, in his own way, the equation of bed and lodger right along. So whatever merit my paper may lay claim to is in its proposal to reverse the customary and universal practice of restricting productive capacity, surgically, to existing purchasing power, whatever that may happen to be. The other way about might save the legs of business. It is at least time to consider whether the addition of adequate purchasing power may not prove a less painful method of establishing Mr. Meeker's equation.