much so, that the fact of disproportionateness has been recognized by some authorities as constituting a *normal* condition. A comparatively recent study of the lower income classes made by Dr. Fred Macaulay for the National Bureau of Economic Research shows that no law of permanent inequality or fixity of distribution of national income can be laid down.

Studies by Drs. King and Copeland show, moreover, that while there is change in the distribution of income, it has been rather insignificant since 1916. The percentage of the entire realized income of the people of the United States, distributed among 99 per cent of income recipients having the lowest incomes, showed a variation between 1916 and 1926 of no more than 2 per cent. In 1916 these 99 per cent of income recipients shared approximately 86 per cent of the total. In 1926 this same class received, roughly, 88 per cent. During the same interval the richest 1 per cent of income recipients received in 1916, 6.7 per cent of the total income, while in 1926 this class received 7.0 per cent of the total. We see here only a slight disposition toward change. In 1926 the richest .1 per cent of income recipients received 3.1 per cent of the total, while the richest .01 per cent of income recipients received 2.1 per cent of the total.

Dr. Copeland, in a chapter on income in "Recent Economic Changes," shows that between the years 1918 and 1926 the wealthiest 10 per cent of the population of this country received between 29 and 35 per cent of the nation's money income. This country reached its closest approximation to equality of distribution of income during the year 1920 when these 10 per cent of the population received 29 per cent of the income. The year 1921 was the year of greatest inequality when the 10 per cent group received 35.3 per cent; in 1926 the same group received 32.9 per cent.

These data are significant in view of the fact that the bulk of our population, constituting the greatest outlet for manufactured goods, receives a disproportionately small share of the nation's income.

Professor Tugwell, of Columbia University, estimates that 86 per cent of the buyers of manufactured goods are wage earners. The remaining 14 per cent consist of various enterprisers and property owners. Together with this estimate, we must remember that in 1926 the share of the total realized income in this country that went to employes was 59 per cent. The portion which was distributed in the form of rent, interest and dividends was 23 per cent while the portion that was withdrawn as profits amounted to approximately 19 per cent. In short, we see from these figures that the greatest possible market for American manufactured goods is stifled by a lack of purchasing power.

Funds that should be paid to labor to nourish consumer demand are put back into unused equipment to further aggravate a bad condition. Excessive overhead charges resulting therefrom further limit the ability of the market to absorb the products of industry. The vicious circle of excess capacity and limited demand cannot be penetrated in a severely simple fashion.

The one major economic force that prevents industry from courageously and spontaneously realizing full productive capacity is the ever-present risk of loss. Industries operating under partial capacity do so at a price level compatible with market conditions. If producers were to operate, under conditions of unchecked competition, at 100 per cent capacity, they would soon arrive at a state where the sales price of their goods would impinge upon their total cost. Private enterprise could not survive such conditions. The risk involved in a possible fall of the sales price of commodities, produced in large quantities at low profits, is sufficient to discourage the extended use of productive capacity. If demand can be stimulated to such an extent that the operation of industry at full capacity will not result in a fall in prices to a point where the manufacturing cost is likely to be larger than the sales price, the problem will be solved.

Many practical suggestions have been advanced in the past to solve this problem of industrial disequilibrium. They are indicated in the written works of Professor Hudson B. Hastings and of Messrs. Foster and Catchings. The paper presented by Mr. H. B. Brougham before this society in December, 1927, advocated the release of extended bank credits into capital construction, both public and private, antecedent to the short swings of business that threatened a downward trend.

At the present time two methods are being put in operation under the leadership of President Hoover. The predominant method is psychological. Business conferences with the nation's leaders of



finance and industry serve by the restoration of confidence the purpose of keeping business on an even keel. The announcement of a reduction in taxes serves the same end. The promise of releasing funds for public works, derived from credit issues as well as from revenues, serves also to encourage business at the present time. They are excellent palliatives.

An announcement by Henry Ford, on the other hand, of an increase in wages and of a reduction in the price of his commodity serves a very important additional purpose. It points the way to the permanent solution of the problem.

It will be recalled that during the war this country indulged itself for a period of three years in comparatively unretarded production and consumption. The secret of this condition was the fact of active consumer demand at home and abroad. Wages at that time rose faster than did commodity prices. In peace time, however, the means necessary for institutionalizing this secret of relatively higher wages is wanting, with the result that production and consumption are allowed to get out of gear and throw the economic machine out of balance.

It is not the mere temporary raising of real wages that brings on the condition sought. What we seek to effect is a permanent economic change. We seek not equilibrium alone; *what we desire is a stable upward movement of the standard of living.*

To guarantee both higher wages and a further equalization of income and the resulting elevation of the general standard of living there must be worked out on a national scale an effective method of credit regulation and control. Those industries already overequipped and able to produce more than can be presently consumed should be temporarily curbed in their operation. Other industries not sufficiently equipped should be given every opportunity to expand. The mechanism of the rationing of credit to industry need not be called into play just so long as private enterprise permits itself to be regulated for the benefit of society as a whole. Competitive enterprise can readily adapt itself to a well conceived mechanism of discriminatory discount rate control.

With proper indexes of the general standard of living, with adequate data indicating the potentialities and performance of various industries and with a proper goal set in advance, there should be little reason for the persistent chronic disproportion between productive and consumptive capacities.

When we use such means we shall be one step nearer the practical achievement of a program of industrial equilibrium.

**Henry P. Kendall.**[9] The discussion this evening has seemed to me to have some of the most significant possibilities of any discussion that the Taylor Society has had for a long time.

A group of men is now being gathered together in Washington to advise the President informally. This may lead to a permanent advisory council—a soothing move. Whether it is going to be anything more than soothing depends on whether these men find something practical to do and have the courage to do it. I had not intended to take part in the discussion this evening, but in view of the theme and the need of action, I want to relate what seems to me a possibility of help in one industry.

As you know, the textile industry, in which I am engaged, operates cotton and woolen mills on a forty-eight hour week, and on a single-shift basis, in Massachusetts, because women and minors are not permitted to work at night in Massachusetts. In other New England states mills are operated on a fifty-four hour week; in North and South Carolina, on a fifty-five hour week, and in some of the states farther south and farther west, on a sixty hour week. The textile industry is a sick one. It has a productive capacity, on day and night runs, of somewhere between 135 and 140 per cent of consumption. And yet public opinion has not crystalized to the point where it can compel a reduction in working hours.

Last week I thought the situation over and wrote President Hoover a long letter, recommending that he add to his group of advisors a man familiar with the textile situation, a man who knows the industry in both the North and South and who has vision and courage. I believe that such a man, with the backing of the council and the President, might crystalize opinion to the point where we could bring about, by mutual agreement, a reduction in working hours in the textile industry, North and South, to not more than fifty hours a week—and this without a reduction in the pay that had been paid for from fifty-four to sixty hours a week. In addition, a mutual agreement might be reached to fill every

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