It is interesting to note the remarkable steadiness of spendings for many of the commodity groups, particularly "Cigars, Cigarettes and Tobacco" and "Books, Periodicals and Stationery." These two groups are running a neck-and-neck race; and it may be pleasing to learn that at last accounts reading matter was maintaining a slight lead.

A curious feature of this table is the big jump in 1923 in the proportion of consumers' takings of tangible goods to their total incomes—from a pre-war percentage of 53 per cent to about 57.5 per cent in 1923 and then back to 51.7 per cent in 1929. This showing checks fairly well with King's corresponding percentages (making allowance for the fact that his figures include retail sales of producers' goods and some other items omitted from our figures). King's percentages are: 1909, 61.8 per cent; 1914, 61.1 per cent; 1923, 67.6 per cent; and 1928 (1929 not given), 64.7 per cent. There can be no doubt that 1923 was a big retail year, presumably because the gaps left by the preceding years of depression were being filled.

On the other hand, the 1929 proportion of income flowing into retail channels appears unusually low. In this respect it resembles 1916 and 1920, as indicated by King's percentages.[9] Making a hasty generalization, we may suspect that in big-income years people put their surplus dollars into other forms than commodities.

As an example of possible uses of the data here given and supporting data, I venture to offer Table 5. It may best be defined as an exceedingly tentative attempt to measure the "area of caprice" in present-day consumption; this term is meant to signify the amount and proportion of consumers' demands which are peculiarly liable to rapid fluctuations.

The commodities belonging in this area would appear to be: (1) "superfluities," that is, goods which most persons can get on without, and feel no great personal or social loss; (2) "style goods," that is, those in which fashion plays a leading role; and (3) "durables," that is, those which normally remain in use for some years and may easily be made to serve longer. These descriptive words, let me explain, are employed here solely for convenience and are not intended to imply any judgments on the social values of these articles.

Table 5 presents an allocation of goods to these three categories. Obviously the allocation is in part arbitrary; and anyone is quite at liberty to make such alterations as he chooses. I doubt, however, whether

TABLE 5

SUMMARY OF RETAIL VALUES OF PRODUCTS PARTICULARLY AFFECTED BY CONSUMERS' CAPRICE

(Millions of Dollars)

Class of Product	*1909*	*1914*	*1923*	*1929*
GRAND TOTAL	2704.0	3249.1	10982.1	12568.2
"Superfluities"				
Jewelry and Silverware (50%)	120.4	121.4	287.5	288.8
Toilet Articles and Preparations	86.5	109.7	423.6	513.6
Musical Instruments and Radio	140.3	162.4	582.3	919.9
Recreational Goods[10]	178.9	183.5	488.1	464.5
TOTAL OF "SUPERFLUITIES"	526.1	577.0	1781.5	2186.8
"Style Goods"				
Women's Clothing, Knit Goods, Silk Manufactures (50%)	525.6	648.1	2110.0	2271.7
Millinery	179.4	207.5	431.7	488.3
Fur Goods	121.6	88.4	360.0	503.6
TOTAL OF "STYLE GOODS"	826.6	944.0	2901.7	3263.6
"Durables"				
Automobiles, Parts, etc.[11]	344.1	611.1	3012.7	3270.4
Furniture and Household Appliances[12]	886.8	995.6	2998.7	3558.6
Jewelry and Silverware (50%)	120.4	121.4	287.5	288.8
TOTAL OF "DURABLES"	1351.3	1728.1	6298.9	7117.8
Per Cent to Total Retail Values	17.05%	17.23%	25.68%	25.84%
"Superfluities"	3.32%	3.06%	4.17%	4.50%
"Style Goods"	5.21%	5.00%	6.78%	6.71%
"Durables"	8.52%	9.16%	14.73%	14.64%
Per Cent to Entire Realized Income	9.13%	9.11%	14.77%	13.37%
"Superfluities"	1.78%	1.62%	2.40%	2.33%
"Style Goods"	2.79%	2.65%	3.90%	3.47%
"Durables"	4.56%	4.85%	8.47%	7.57%

any changes within reason would bring about great modifications of the percentages toward the bottom of the table.

These percentages are striking, partly because they show such close correspondences of the two pre-war years with each other, and of the two post-war years with each other; and partly because they seem to reveal so important a change between the pre-war and the post-war periods. You will note that the "area

[9] "The National Income and Its Purchasing Power," p. 376.

[10] Includes: Toys, Cameras, Sporting Goods, Arms and Ammunition, Fireworks, Nursery and Greenhouse.

[11] Includes: Carriages and Wagons, Ships and Boats, Motorcycles and Bicycles, Aircraft.

[12] Includes: Furniture, House Furnishings, Electrical Appliances, Crockery, China and Glassware, Stoves and Ranges.

of caprice" occupied 17 per cent of pre-war retailing against 25 per cent after the war; or, expressed in percentages of national incomes, 9 per cent against 14 per cent; or, expressed in money of 1929, somewhere near four to five billions of dollars.

Here is a sweeping and powerful trend of consumption, and it cannot fail to have far-reaching effects. It goes far toward explaining the length and severity of our economic storms of 1921 and 1930. In the last-named year, particularly, you will recall with what pleasure and hope we all listened through the early months to the assurances of our best statisticians that inventories were low; and, therefore, consumers' renewed buying would soon start the wheels moving again. Unfortunately, this conclusion was built on an unsound assumption. Consumers' buying instead of picking up, slipped lower and lower. To this day it has shown no plain signs of that spontaneous resurgence which is the natural turning point of a business depression.

What was the trouble with this reasoning? Apparently it was nothing visible—even to expert eyes. Dr. Warren M. Persons, recognized by all as a leading and highly competent authority, writing in November, 1930, and basing his opinion mainly on the normal expectation of soon reaching the level at which consumers will buy more freely even if they have to use up their savings, forecast that the low point of the depression would be passed not later than March, 1931.[13] I am not bringing up this forecast, which obviously went wrong, with any thought of ridiculing it; to the contrary, I believe it was reasonable and well-founded on the *known* facts. It constitutes, however, one piece of evidence that *new* factors operating outside the field so far statistically surveyed are today at work—or if not entirely new, at any rate factors that have gained new strength in recent years.

One such factor is the indicated extension of the "area of caprice." If it be true that more than one-quarter of consumers' retail purchases in prosperous years could easily be given up or deferred for some years—and remember that a large fraction of the remaining three-quarters would undoubtedly fall, if our analysis were more thorough-going, into the same classification—then it follows that the resistance level to reductions in consumption is much lower than we have previously imagined. This is another way of saying that the tendency is toward greater swings, both up and down, in the business cycle.

Nor is there any likelihood of a limitation in the "area of caprice." If it did occur, it would be indeed an unhappy solution of the problem of avoiding catastrophic depressions. For freedom of consumers' choice, including caprice in taking or rejecting many varieties of goods, is an essential concomitant of consumers' prosperity. The outlook, then, if things go on as they are, is for greater heights of prosperity always followed by deeper and blacker depressions.

Perhaps a way out can be found. Personally, I have little hope of its being discovered for us by some group of inspired seers who will be miraculously assembled and appointed to a governmental control board. It seems to me more sensible to try to develop a new business technique adapted to the new economic situation created by the probably accelerating growth of the "area of caprice." But this is another story which leads far beyond the scope of this paper.

If the effort to measure consumers' retail purchases here described has any value, it will arise chiefly from two closing suggestions.

First, it should be possible, if more detailed and more accurate data extending over a longer period were available, to make studies of consumption trends along various lines which would meet the standards proposed near the beginning of this paper; and such studies would permit business management to look ahead—to make long-distance plans and to invest capital with better assurance of returns. The drawback now is the lack of adequate data.

The second suggestion is that gathering the needed data is a proper function of the U. S. Department of Commerce. The splendid record of efficiency and progressiveness which this Department of the Government already has to its credit justifies us in asking that it take over this additional responsibility. Certainly commercial business should have at least as much fact-finding help as is now supplied to finance and to agriculture. We should all give our earnest support to whatever moves in this direction may be approved by the officials of the Department of Commerce.

American business needs badly—needs more than it needs any other single tool I can think of—a perpetual inventory of the American economic system. The kind of inventory I am thinking of would keep us all continually informed as to consumption trends and distributors' stocks, on one side, and as to producers'

[13] Persons, Warren M., "Forecasting Business Cycles," New York, John Wiley & Sons, 1931, Part I.