of March 24, an address which has not received the attention it merits. Mr. Taylor does not advocate national planning. The experience of his industry apparently leads him to believe that formal sanction to have a government in an industry is not necessary. What he does desire, however, is identical with what is sought by the other industrialists through planning. He said, "Controlled production may be expected to come about automatically as our surplus stocks become exhausted and as competition, spurred by necessity, discards obsolescent equipment and adopts justifiable price control that sacrifices some part of production volume to secure reasonable price levels for commodities"; and he went on to say that he could not see how the accompanying reorganization, mechanization and redistribution of work could keep all workers now in industrial centers occupied, and that many would have to return to the land.

I cannot agree with this motive and means of regularization, even though it includes measurement and regulation of investment and production, because its primary object is maintenance of the values of the existing overhead and its primary means is a retreat from a surplus toward a deficit economy.

But I do believe that increasing needs should be calculated, growing demands measured, and a plan of industrial development constructed which would establish more firmly and make more manageable this surplus economy which we do not yet know how to manage. The goal should be a well-distributed plenty for all, earned by a regularized industry which offers continuous work for every willing worker. This would be promoted by a regulation of investment, the nature of which would be determined by the motive and the objective. The agency for the planning should represent the consuming society, not the producing groups within society. Production should be to impartially measured demand. This concept is expressed in the LaFollette and Person bills which have been introduced in the present Congress.

I recognize difficulties in the regulation of investment, even though it be indirect. The principal one raises the question as to whether it could be done without creating quasi-monopolies for the investments already in industry. Perhaps there would be a tendency in that direction—toward limited-dividend corporations. It would seem, however, that the social interest would be better served by quasi-monopolies under social planning and control, than quasi-monopolies unrestricted, as is proposed by the plans of industrialists.

That is enough concerning difficulties. If the proposition to regulate investment merits any attention whatsoever, discussion can be trusted to discover and explore the difficulties involved.

Discussion

Eleanor Lansing Dulles.[3] The three very interesting papers presented to this group during the afternoon session differ markedly in their emphasis, but they are alike in that they recommend substantial interference in present-day economic relations. It is probable that everyone here agrees as to the need of such interference, but there is room for considerable argument as to the direction it should take.

The suggestions made by Mr. Person call for a slow and gradual development of methods of control in the field of investment. It is probable that his program is not capable of the early realization which is claimed for at least some parts of the suggestions put forward by Mr. Jordan and Mr. Foster. There is no doubt, on the other hand, that some guidance and restriction of the movement of long-term capital must be worked out. The limits to rapid progress circumscribe action very narrowly because there is no centralized body which is charged with this responsibility. Governmental interference is practically impossible and the movements of capital escape the restrictions which laws attempt to set.

Even more fundamental than this, however, is the need for industrial plans which will make the intelligent guidance of investment a feasible measure. This may be achieved in the distant future, and when it is a reality, the need for investment restriction will largely disappear.

Mr. Jordan proposes a different form of economic control. He suggests progressive taxation of such a nature that it will serve two ends. It will repress speculative excesses and will redistribute wealth in a way which might steady buying power. His suggestions have one advantage in particular. The government has the power and the mechanisms for putting the plan into operation if the public expresses its desire in an emphatic way. There is, thus, some hope of early action if the depression has aroused a nation which has been oblivious to such considerations for a long period.

In my opinion, the taxation plan holds out real advantages, particularly insofar as it can put a break on speculation. The direct advantages through the equalizing of purchasing power are much less certain. It is difficult to say how individuals will save or spend their money. The velocity of circulation of incomes is still veiled in mystery, and there is no guarantee that the flow of purchasing power will be more rational simply because it is more evenly divided. Bank credit will for years to come be the determining factor in controlling, *saving* and investing.

Mr. Foster's suggestions are capable of immediate realization with the one serious qualification that, if put into operation they tend to become transformed into quite different influences from those which are at first operative. Thus, inflation is always possible, at the will of the government, but rapid inflation runs automatically into deflation as confidence melts before the onslaught of a volume of cheap money. This has been the experience in Germany, and even in France, where inflation took on milder proportions.

The expansion of purchasing power which Mr. Foster suggests would, in fact, be in amounts similar to those in Germany in 1922. In urging the return to the purchasing power of 1929—and this is the suggestion about to be brought before Congress—he is proposing an increase of approximately 50 per cent in the price-level. It would be hard to find a case in history where purchasing power has increased more than 20 per cent a year without running into the excesses of wild depreciation. A 5 or 10 per cent increase in the volume of money might perhaps be checked in time; more than that is sure to excite a wild speculative boom and collapse.

I am forced to disagree with Mr. Foster's statement that credit is entirely within our control. Even the less volatile forms of bank credit are hard to curb when prices are moving upward, and the non-bank credit which was so freely used during the stock-market boom escapes entirely from the usual checks and restrictions. If this is true, then a marked increase of the monetary base may allow a terrific multiplication of credit instruments which lie quite outside the limits which have been set for more conventional forms of purchasing power.

It seems to me that inflationary programs ignore the true nature of modern purchasing power. This is made up very largely of credit which in turn depends on confidence. Thus, while it is possible to increase the number of units of purchasing power by deliberate intervention, it is not possible to maintain the value of the aggregate if confidence collapses. The grave danger inherent in inflation is, therefore, deflation.

The arguments against a rapid expansion of purchasing power at the present time are in the main five.

1. Such a policy is calculated to bring about a speculative boom followed by collapse.

2. The banking system would become strained again, and there might be a new wave of failures.

3. The American price-level would become partially divorced from world prices, and the nation would lose, through further defaults on foreign investments, and also probably in foreign commerce.

4. The spending of the new money would very likely be directed unwisely and might accentuate errors in production, or prolong the life of uneconomic units.

5. An inflationary program would distract attention from certain changes in taxation, production and foreign relations which are urgently needed.

The great need of the present time is a real basis for confidence and stability of values, not for further price changes. Confidence cannot come until the War debt situation is cleared up. Stability can only be achieved by strengthening the banking system at every possible point. These two lines of attack energetically undertaken, together with industrial readjustments at a number of points, should build a foundation for lasting recovery.

David Cushman Coyle.[4] There are certain criteria by which we may judge the soundness of any engineering project involving, as such projects usually do, the interactions of machines and men. I propose to examine briefly the proposals which we have heard in regard to various tests of soundness, the validity of which is self-evident but sometimes overlooked.

The first test is this: Does the proposal aim in the desired direction? It may be stated, without repeating the argument, that any sound plan must aim at this one specific objective: It must divert a sufficient fraction of the total income from investment in the over-equipment of industry, into spending for goods to be consumed. It has been made clear that business can no more run on too much capital than a gasoline engine on too much gasoline. Mr. Jordan and Dr. Person have emphasized the fact that this is the key log of the jam. No other maladjustment can be corrected until this one sticking point has been taken care of. Both their proposals aim directly at this necessary objective. Mr. Foster proposes means to increase

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