

spending, but is not clear how he would prevent a new orgy of overinvestment. Mr. Foster's is not a plan for stabilizing business, but a statement of the necessary measures to bring on recovery from depression. The other two strike at the heart of the problem of making business permanently sound.

The second criterion is the bootstraps test. Do the secondary effects cancel the primary effect of the project, or do they reinforce it? The proposals of Mr. Jordan and Dr. Person pass this test with flying colors. Not only will the artificial restriction of free capital add to buying power by the direct transfer of money from investors to consumers, it will also, by cutting off the exuberant growth of new plant which occurs in good times, relieve business of the poisonous blight of overequipment. The overhead expense, which normally rises until it eats up the profit and ruins business, will be restrained, and higher wages and dividends will be available for a further increase of buying power. The overall efficiency of the organism is increased, therefore, not only by preventing the wasteful construction of superfluous machinery, but also by warding off the waste of paralysis.

In other ways, too, the secondary effects will reinforce the primary. The liquidation of indigestible masses of unspent money will not only relieve business of poison, it will involve decentralization of ownership. Dividends will be spread more widely over the smaller incomes, where they will be added to buying power. The effect of increased security will also tend to relieve the intense struggle to accumulate investments. The removal of incentive from the higher incomes will tend to increase the spending of the well-to-do, and further spread the ownership of business among those of smaller income. In all these ways the effect of limiting investment will be cumulative, tending to a larger market for goods and more intensive use of the available machinery.

The third test of soundness is connected with a limitation of human intelligence. How much prophecy will be required to operate the proposed mechanism? If it were necessary, on setting out in an automobile, to set the wheel mechanism in advance for all the motions it is to make, the chances of error would be overwhelming. In the same way an economic device which requires someone to make a correct prediction is less practical than one which will produce the desired result without prediction. We have plenty of cause to know that the type of man who can ordinarily be chosen for a place of high authority is not usually a

very good guesser. Examples without end are known to all of us here.

It is at this criterion that Mr. Jordan's plan begins to draw ahead of Dr. Person's. Any agency of the state which proposes to regulate investment may find itself faced with the necessity of judging the probable future of business in particular and in general. If it is highly centralized the consequences of its errors may be catastrophic. On the other hand, if investment is to be restricted by means of the tax system, almost no prophecy whatever is required. Whenever business is profitable and incomes are high, it takes no prophet to realize that a drastic income tax will postpone the day when overbuilding brings on paralysis. When times are hard, it needs no genius to recognize that taxes on the rich will help to keep money circulating through the shrunken arteries of business.

In view of the well-known fallibility of human prediction, the control of overinvestment by fiscal means has a technical advantage over its control by a board of experts. It may well be that the labors of expert boards will best be restricted to subsidiary problems such as steering the expansion and contraction of credit. This is one of several necessary functions that cannot be wholly divorced from prophecy, and that therefore cannot be counted on to be of more than secondary value in a program of stabilization.

A fourth criterion of soundness is expressed by the question: Will the administration of a proposed program call for more than normal courage and honesty? Periods of national exaltation such as that now reported in Russia are not lasting. Normally any system will run as a dull routine, with only sporadic attention from the public. How well will it stand against gusts of ill-informed public obloquy such as that which fell upon the Federal Reserve when it made a futile attempt to control the late inflation? And how well will it resist the constant pressure of personal influence? It is common experience that any body which is in a position to distribute opportunities to hopeful aspirants, as it becomes more centralized, tends to become more subject to nepotism, politics and graft. We cannot avoid the necessity of some exercise of centralized regulatory power, but the serious secondary effects that usually accompany it should not be overlooked. In regard to this test of soundness Mr. Jordan's plan again has something of an advantage over Dr. Person's. The income-tax authorities are not engaged in allocation, which requires a new interpretation of policy in each case, but in collection, ac-

ording to a policy once for all laid down by Congress. The comparative difficulty of escaping this law is indicated by the efforts of large taxpayers to prevent its passage. It may be noted also that when the government went after Al Capone, it chose the income-tax law as the most effective method of attack. Moreover, as the effect of a drastic supertax will be to dissipate the large fortunes, the few remaining will have an increasingly high visibility.

The final test of soundness to which I wish to call attention is that of dynamics. Is there available any power strong enough to put the proposed plan into action? The first factor of power is economic interest. The diversion of money from capital overinvestment to consumption of goods is vitally necessary to industry and commerce, to the professions, to labor and the farmers, to producers, technicians, distributors, consumers. That is an extremely powerful preponderance of interest. On the other side stands uncontrolled finance, which causes and lives by the instability of business. Finance has the whip hand, and there, essentially, is the focus of the disease that paralyzes the whole system. But if the true interests of all parties can be made clear, the situation is loaded for a shift of the center of power. If the recent happenings in Congress are examined in the light of these facts, it will be apparent that it is this very conflict which has been there struggling to find expression.

The second factor of power, therefore, is the possibility of making the issue clear. Here Mr. Jordan's plan has an advantage against the field. Experience during the past eight months has proved that a high percentage of intelligent business men are able to see the soundness of this plan, and to remember it afterwards. All its factors are familiar; only their relationship has been obscure. There is one thing to be done, the imposition of a tax, and everybody knows it can be done with the Congressmen available, if business demands it. The way to burn a hole through a steel plate is to focus the flame on a single point. The League for Independent Political Action has proposed a plan having ninety-four points. The tactical difference is of critical importance as regards the chances of getting real action. Here again it is significant that it is on the question of taxation that the irrepressible conflict has first begun to take shape in Washington.

The third factor of power is the available emotional force which will favor or oppose a particular project. Here the advantage is with these plans for controlling

finance as against any plan which looks toward socialism. These plans, particularly Mr. Jordan's, lead toward decentralization of ownership and initiative, which is what the American people want in their hearts, if only they can find a way to get to it without disaster. Here it appears as part and parcel of a method of making the economic system run. The desire in our people for widespread freedom and prosperity combined waits only for the assurance that these are economically sound and not the road to ruin. Everything depends on whether we can get the issue clear before the light of reason is smothered in the passions of disorder and violence.

What has been said here today means that the time has passed for soft words and polite phrases. The death grip of finance threatens to strangle our productive power into final collapse. If we allow that, what we are seeing in our generation is the death of Western culture and the beginning of the Dark Ages. Against that we must fight. It is for us here, and those like us, to bring in the new culture that is now struggling to be born. The grip of finance must be loosened from the throat of business. It will be done only by a bitter struggle. We who must see this crisis through are called upon to show that we have the capacity, the vitality and the courage to fight for our life and win.

**Paul Gourrich.**<sup>5</sup> The interesting ideas of Mr. Person, the directness, although somewhat emphasized monism, of Mr. Foster's thesis of inflation, in which he lays so much stress on its healing charms without mentioning the bad scars it leaves on the body economic, and the daring revelations of Mr. Jordan give much food for thought and controversy. But with a large five-and-ten-cent store reaching out to the two-dime class, on the one hand, and stock-exchange prices moving toward variety chain-store levels, on the other, one has neither the disposition nor the time for controversy. With conditions as they are, our economic problems seem to have passed from the quiet chambers of academic gatherings into the noisy street.

It is perhaps a peculiar paradox that economists have lost a good part of their former popularity (and with some reason) at the very time when economic discussions are all over the place, so practical and urgent have the issues become! Yet some broad theoretical principles are necessary to the understanding of our troubles and the formulation of remedies by which our

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