

on its program. The recognition is embodied in a board which studies retail and wholesale prices, although this board does not have in mind the wage-price relationship. It expects to relate the two considerations by statistical indexes of employment, production level, and price levels of so-called "normal" years in which prosperity was observed. Probably at the time of its formation the NRA had no idea that its program would lead it to burdensome, voluminous investigations of price. At the present time these investigations appear inevitable and point to a more complete socialization program than was originally intended. Individualism is about to object to the use of the "big stick" on the grounds of constitutionality in cases where its interests are at variance with the complete program. All parties, however, are anxious to avoid conflict in order to avoid the arousing of public opinion and legal suits which might weaken the entire program. The wage-price relationship is the reasonable basis for avoiding this conflict, and at the same time the essential principle in our rehabilitation.

If the basic soundness of the wage-price relationship cannot be denied, then it is apparent that the enterprise will no longer be allowed to secure undue benefits from what were loosely termed "good business conditions." It is evident that we are entering a stage of broader Scientific Management in which "good business conditions" are planned on the basis of making the enterprise contribute toward the wage fund and set prices which leave adequate sales income for other economic activities.

To apply this basic relationship in our economic life is not an easy task. After many years of competition, prices were extremely deranged—in several cases too low to provide a living income for large groups. This condition has important effects on costs of production and employment. In the too prosperous industries, price is often based on "what the market will bear" or a policy of expediency rather than on costs of producing. The overhead costs, especially, reveal variations which

influence prices in the various sections of the nation. Costs of local government vary considerably, affecting rentals and other costs in which these rentals are an important item. Power charges also vary considerably; the same condition of variability is true for transportation costs. Despite the magnitude of the task, the reconstruction work of bringing about order in this confused state must be started and carried on in evolutionary stages. The wage-price relationship holds out the promise of a stable economic equilibrium when it is applied to all economic activities.

The necessity of applying the principle of this relationship in the NIRA program of rehabilitation is obvious. While such an application would necessarily be crude in the light of the required evolution, still it would furnish a marked improvement in the control technique of the NRA. So far the official program has endeavored to establish quick, overall controls in the form of codes, permitting the trades to set their own prices. As a result of this policy, certain basic industries have taken the cream of the wage fund, leaving other industries, also operating under codes and price agreements, with a poor sales income. The mechanism and required organization for remedying this economic injustice, or unjust economics, cannot be described here. The wage-price relationship must be applied, but with our economic philosophy in mind. We have not as yet reached the stage in our evolution where the enterprise belongs to the state and is therefore subject to its arbitrary dictation. We simply see that it must be made to contribute its proper share to the wage fund and not allowed to take more than its share of national income. This is logic which the enterprise itself recognizes. We know that the operating enterprise has survived competition, thereby proving that it is rendering acceptable services for which society is willing to pay the prices set up by the enterprise. These prices, conditioned by sales volume, sum up to the sales income which covers raw materials, overhead, and

TABLE III

STUDY OF BUYING POWER RESPONSIBILITY BY DIVISIONS
(Wholesale Trade Distributors 1929)

(\$ FIGURES IN MILLIONS OF DOLLARS)

Division	Number of Employees	Sales or Operating Income	Actual Wages	Economic Wages	Gain or Loss of Buying Power	Per Cent of Gain or Loss	Actual Wages as a Percentage of Dollar Sales	Economic Percentage
New England States	111,164	\$ 4,195.3	\$ 206.8	\$ 188.1	\$ + 18.7	+ 9.93%	\$.049	\$.045
Middle Atlantic	432,307	23,390.8	969.5	731.5	+ 238.0	+ 32.1	.042	.031
East North Central	353,398	14,028.4	687.6	597.0	+ 89.6	+ 15.0	.049	.043
West North Central	196,508	8,709.1	331.1	333.2	— 2.1	— .63	.038	.0382
South Atlantic	140,227	4,657.7	200.1	237.3	— 37.2	— 15.65	.043	.051
East South Central	64,502	2,550.8	95.4	109.1	— 13.8	— 12.6	.037	.043
West South Central	104,153	4,787.2	168.7	176.2	— 7.5	— 4.25	.035	.037
Mountain States	34,680	1,198.9	55.7	58.7	— 3.0	— 5.15	.047	.049
Pacific States	168,103	5,773.3	295.2	284.4	+ 10.8	+ 3.78	.051	.049
TOTALS	1,605,042	\$ 69,291.5	\$ 3,010.1	\$ 2,715.9	\$ + 294.2	+ 10.8%	\$.0435	\$.394

labor costs. When the income is not sufficient to secure a fair subsistence for the personnel of the enterprise, the remedy does not lie in forcing the issue but in investigating the wage-price relationships of the enterprise and its associated enterprises. This line of investigation would show who are really responsible for the destructive prices which hold up the creation of the wage fund and ruin the meaning of wages.

The tables of buying power responsibility cover economic activities operating under an extreme variety of cost conditions; i.e., with contrastive portions of the sales dollars being paid to the accounts of wages and salaries, raw materials, overhead and capital. These operating conditions are the resulting effects of an uneven development in our economic evolution. On the basis of its own evolution, an industry may point out that its increased productivity per man has lowered its generated wage fund but that it has increased the portion of its sales dollar which pays for raw materials, thereby aiding the generation of

the wage fund elsewhere. It is undoubtedly true that industries create a demand for raw materials and thereby create employment in the raw materials activities. However, the responsibility of generating adequate buying power for its own personnel is not transferable by the enterprise. Each enterprise must face its own responsibilities, by the wage-price relationship, if it expects good trading conditions (produced values balanced by an adequate wage fund). The creation of employment elsewhere cannot make up for any loss of buying power within the enterprise itself, for all any enterprise can do is to obey its own wage-price relationship. There is a resulting total loss of consumption demand which affects all economic activities, a condition shown in the following comparison:

Manufactures	11.8%	removed buying power
Farms, general	64.6%	" " "
Forest products	42.5%	" " "
Mineral products	24.8%	" " "

TABLE IV

STUDY OF BUYING POWER RESPONSIBILITY IN CITIES
(Manufactures 1929)

(\$ FIGURES IN MILLIONS OF DOLLARS)

City	Number of Employees	Sales or Operating Income	Actual Wages	Economic Wages	Gain or Loss of Buying Power	Per Cent of Gain or Loss	Cost of Living Index
Birmingham, Ala.	17,893	\$ 133.4	\$ 21.1	\$ 30.4	— \$ 9.4	— 30.7%	111.8
Boston, Mass.	75,907	603.7	105.8	128.4	— 22.6	— 17.6	122.0
Cincinnati, Ohio	63,986	497.6	85.4	108.3	— 22.8	— 21.0	123.1
Chicago, Ill.	405,399	3,915.1	626.5	686.0	— 59.5	— 8.69	126.0
Detroit, Mich.	219,551	2,014.2	386.7	371.5	+ 15.2	+ 4.08	128.8
Jersey City, N. J.	25,822	312.0	38.0	43.7	— 5.7	— 13.05
Miami, Fla.	1,905	12.4	2.6	3.2	— .6	— 18.9
New York, N. Y.	579,005	5,984.3	912.3	979.7	— 67.5	— 6.9	128.5
Philadelphia, Pa.	246,908	2,003.8	338.9	417.8	— 78.9	— 18.9	127.0
Portland, Oregon	21,380	169.8	28.5	36.2	— 7.7	— 21.3	110.0
St. Louis, Mo.	109,010	1,022.7	134.9	184.5	— 49.6	— 26.9	121.7
San Francisco, Calif.	45,482	483.7	67.9	77.0	— 9.0	— 11.75	116.6
Washington, D. C.	9,572	89.0	15.5	16.2	— .7	— 4.22	115.4

(Cost of living index indicates the necessity of relating the economy of the enterprise to the local economy. This principle is recognized in the blanket codes, wage standards which have been set by populations of cities and localities.)

Mr. Fred Henderson of Norwich, England, author of "The Economic Consequences of Power Production" and "Money Power and Human Life," will be guest of honor and speaker at the Annual Dinner, Friday evening, December 8. See the back cover for program of the meeting.