Prosperity Blows Up

By Jay Lovestone

"Let him see for himself the families of twelve and fifteen persons, who somehow keep body and soul together on the six or seven dollars' worth of groceries they receive each week from the city or from charitable organizations. Let him see the undernourished children—poor little devils with rickets and anaemia and various other diseases. Let him 'pick up' the unemployed girls on the streets—girls who sell their souls and bodies for a square meal. Let him visit the kitchen bar rooms run by men driven to lawlessness by their inability to earn an honest living, and let him drink the concoctions sold there, which in some cases, at least, are made from distilled garbage. The facts and figures are available. They can be had for a little time and work, and there is no closing one's eyes to them if one is sincere."

THIS is Fall River, the city of more than a hundred textile mills, today, in the eyes of a painstaking observer.

The fate that befell Fall River is the fate that is now on the threshold of hundreds of thousands of families in the rural and industrial centers. Anyone who is willing to do a little lid-lifting and squarely face the grim facts of the rapidly developing economic depression cannot avoid this unsightly picture.

For months our economic professors of the chair wielded their sponges and scrubbing brushes in a vain attempt to get off, at least from the view of the masses, the ever-spreading blotch of economic stagnation darkening the business horizon.

Now, after months of such empty boasting and noisy pointing with pride to glowing business conditions, the official experts of finance and industry are forced to admit that prosperity has blown up. The question is no longer whether business is prostrate but how long it is going to remain prostrate. Undigested statistics and groundless illusions are giving way to the superior force of realities. The cold facts and chilly figures of a sweeping economic depression are busily weaving a dismal story for the great mass of our agricultural and urban population.

For some time our bankers, brokers and manufacturers have just kept going on with their business fingers on the pulse of immediate demand. "Hand to mouth" buying has been the feature of industry and trade for months. Presently, the slow process of industrial recession is accelerating its downward pace and threatening to stall completely the mammoth engine of American large-scale production.

Prosperity in Full Flight

In every corner of production, consumption, employment, manufacturing, the signs of a wide sweep of economic depression are multiplying. A survey of current business indicates the rapidity of the downward slope. The Department of Commerce tells us that: "The index of unfilled orders, a weighted average of eight commodities, relative to 1920 as 160, declined from 61 at the end of March to 54 at the end of April and may be compared with April of last year at 95."

The insolvency statistics for May show a total of 1,816 failures or an increase of six per cent over April. Since February every month of this year has piled up a greater number of defaults than occurred in similar periods of last year. According to Dun's, declines in wholesale quotations have outnumbered advances for fourteen consecutive weeks.

So eminent an authority on the commercial epitome as the Commercial and Financial Chronicle sums up the present situation in this frank fashion: "The steel industry is said to be working at only 50 percent or less of capacity. Further curtailment of the textile trades is reported here and there. The output of automobiles has been cut noticeably. . . . The reduction of the output of iron in May exceeded anything ever before known for that month. The clothing trades are dull, whether in cotton, woolens or silks. The general merchandise price is down for the sixth month in succession. So great is the depression in the big industries that unemployment is marked."

Money rates are the lowest on the market since 1917. There are plenty of surplus funds available and idle. Brokers' requirements are small and dwindling.

Steel is today king in industry and moves in the closest relation to business. A foremost manifestation of the positive decline in business is the record of the collapse of steel production. Since March the production of steel ingots has fallen about 50 percent and is now estimated at only 50 percent of capacity. The unfilled orders of the United States Steel Corporation on May 31 were the smallest in nearly a decade. The total was 3,628,089 tons and the fall during the month was 580,358 tons. At the close of November, 1914, when business had not yet recovered from its first shock at the outbreak of the world war and when the Allies had not yet begun placing heavy war orders, the steel industry was as badly off as it is today. Then, the United States Steel Corporation had 3,324,592 tons on its books.

Business men are viewing with great concern the drop in the production of pig iron, because such a decline always comes with bad times. In May the production of pig iron dropped to 2,615,110 tons from 3,233,428 tons the preceding month and 3,868,000 tons a year ago. This was a fall of 23,423 tons a day or 22 percent lower than in April. This phenomenal collapse compares with a daily curtailment of 22,817 tons, due to the steel strike of October, 1919, and with 21,123 tons in December, 1907, in the wake of the panic in November of that year.

Furnaces in blast on May 31 totalled 184 as compared with 321 a year ago.

Iron mining operations have been drastically curtailed in the last month. On the Mesaba range the United States Steel Corporation's subsidiary has reduced operations by about 30 percent. The fall in prices has compelled some independent mines to shut down completely.

The three principal bases for full-capacity steel operations have all been rocked in recent months. Thus, we find that shipments of locomotives were smaller in April than for many months past. Only 73 locomotives were shipped from the factories in April as compared with 217 in the corresponding month of last year. Unfilled orders on hand on May 1 were 640 as compared with 2,204 a year ago this time. This decline has continued throughout the month of May.

A second force upsetting the steel industry and the economic situation in general is the developing crisis in the building industry. The New York Federal Reserve Bank's June number of the Monthly Review of Credit and Business

Conditions thus views this phase of the business outlook: "Building permits issued during April in 158 selected cities throughout the country were 29 percent smaller than in March, and about 10 per cent smaller than in April a year ago."

Then the curtailment of the automobile output is continuing apace. The recession which began in April was accelerated in May. In April production fell 3 percent compared with March. In May the drop in output was 19 percent.

A final and crushing indication of the extent of industrial and business decline is to be had in the record of bituminous coal output. Soft coal is essential to mill operation. The volume of its output adequately reflects demand and is generally accepted as a barometer of the state of trade. In January the average weekly output of bituminous coal was eleven million tons; in March it fell to nine millions; and in April it hit the low figure of a weekly average of only six million tons.

We Have With Us—Unemployment.

Little effort is now being made to conceal the fact that whatever cheer the business atmosphere had in the beginning of the year is fast disappearing. The gloom of joblessness is now hanging like a pall over the working class. The normal industrial reserve army of disemployed workers is being augmented rather quickly and is swiftly taking on the shape of a huge army of unemployed.

The depths to which the reduction of working forces is proceeding on a country-wide scale are hinted at by the latest monthly review of the Cleveland Reserve Bank in such cautious but significant language: "Employment, as a result of curtailed production, is also declining, and in some factories it has been carried to the point where corps of workers which were considered permanent are being affected. Employment bureaus report an increasing number of applicants. Factory employment throughout the country, according to the summary of business conditions prepared by the Federal Reserve Board, declined 2 per cent in April."

In New York State the official reports received from manufacturers employing 500,000 men indicate that no less than 22,000 workers were discharged during the first two weeks in May. In the last two months more than 100,000 workers were dropped from the payrolls. State Industrial Commissioner Bernard L. Shientag traces this trend when he says: "The decline in May, following a similar movement in April, has reduced employment in New York State factories over seven percent in two months. Part time is also becoming more general so that a marked reduction in manufacturing activity is evident. The number of factory workers has fallen back to where it was two years ago before the strong upward movement of 1922-23 had begun."

Illinois faces a serious unemployment problem. Many mines are closed and closing and manufacturing employment has declined in May more sharply than at any time since 1921.

According to the latest report of the Interstate Commerce Commission the number of railway employes on Class I railroads dropped 56,211 in March compared with the same month a year ago. The total compensation was 5.5 percent less than in March, 1923.

The textile industry has been especially hard hit. In Fall River, Massachusetts, there are 30,000 to 70,000 mill hands out of work. One hundred out of the 111 mills are working on part time or are completely shut down. Within the last six months the municipality has appropriated $243,000 for the relief of the suffering textile workers. So intense has been the hardship of these workingmen and women that they have been driven to the despair of appealing for aid from Coolidge. One of the leading employers recently told a prominent newspaperman that "we have never had before such a serious period of depression, and the outlook for the future has never been blacker."

In the Southern textile centers the situation is as critical. From the following official declaration of the mill workers of Charlotte, North Carolina, we can gather the status and temper of the exploited masses: "For many months the textile mills have been curtailing, running only a very small part of the time. This long slack period has resulted in depleting all the savings of the textile workers and, in addition, has caused nearly all the workers to go into debt, some to an alarming degree.

"Now, it happens, as it has happened in the past under similar conditions, that many mills have announced their intention of reducing wages of the textile workers when full-time operations are resumed. This reduction of wages is not only wrong but it is an outrage. We do not intend tamely to submit to it. If necessary, we are going to use our only weapon, the strike, against any reduction in wages."

The latest and most authoritative survey of the extent of unemployment in the country is the April issue of "Employment in Selected Industries," published by the Bureau of Labor Statistics of the Department of Labor. An examination of these findings discloses many instructive facts, among which we quote: "The decrease in employment in the twelve-month period was exceptionally large in a majority of the thirty-three industries which lost in employment, as shown in the following list: Steam railroad car shops, 19.7 percent; agricultural implements, 18.2 percent; foundry and machine shops, 18 percent; men's clothing, 16.5 percent; automobile tires, 15.9 percent; cotton goods, 14.7 percent; carriages, 13.7 percent; leather, 13.1 percent; shipbuilding, 12.4 percent; shirts and collars, 12.2 percent; sugar refining, 11.8 percent; woolen goods, 11.6 percent; stoves, 11.4 percent; millinery and lace goods, 10.8 percent; and boots and shoes, 10.3 percent. In six of these industries the decrease in payrolls was even greater than the loss in employment, the greatest decreases being 22.5 per cent in men's clothing, 20.7 percent in cotton goods, and 19.6 percent in automobile tires."

From the index numbers of employment based on the above figures we learn that the number of unemployed today, in the manufacturing industries alone, is greater by at least 400,000 than in the corresponding period a year ago. These figures do not take into consideration partial employment. They deal only with the totally unemployed. No less than twenty-two per cent, or about one out of every five, of the workers employed in 1920, on the eve of the last great depression, are now out of jobs. At most, the unemployment of the worst period of the 1921 depression was approximately ten per cent in excess of the present unemployment. The tendency now is distinctly towards a continued collapse in employment.

What Stopped Prosperity?

Hearsay and hasty conclusions interwoven with occasional deliberate misrepresentation are the basis of most of the explanations given for the present economic depression.

Our Secretary of Commerce, Herbert Hoover, would have the world believe that there is no "fundamental economic reason" for it. Mr. Hoover ascribed the sharp decline in pro-

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The Flag Still Flies.

duction to a purely psychological condition. But even an amateur can see through Hoover's transparent efforts. We are now well down on our way from the peak of prosperity passed by us in the spring of 1923. To the economist the spurt of March, 1924, was merely a foothill on the slope down which we have been moving.

Many editors of our well-kept press have been blaming politics for the collapse of industry. None of these explanations is tenable. The fact of the matter is that much as the new tax measure and the so called bonus measure were condemned, the reaction of Big Business to these was not unfavorable.

There is a legend in many circles that Presidential years are necessarily bad business years. This contention will not stand up in the face of facts. Examining the market movements and economic trend of presidental years since 1884, we find that five presidential years have been years of falling security prices, four were years of advancing prices and that one presidential year was characterized by an advance offset by a fall. There is no denying the fact that politics influenced the course of economic development. Yet there is nothing in a presidential year which condemns it organically to be one of economic breakdown.

The primary reason for the present decline in economic activity is the fact that "the business situation itself had become top-heavy." The world war lent great impetus to the development of American industry. The present disturbed state of the world market coupled with the declining economic consumptive ability of the American working and farming classes does not measure up in demand to the overbuilt industries of the United States. Our industrial system is "over-producing" to-day. There is not much prospect of relief in the outlook for foreign trade.

The economic decline which we are experiencing at this moment is an integral part of the process of industrial readjustment following in the wake of the world war. One of the reasons America recovered so rapidly from the serious crisis of 1921 was the urgent need of the country for certain immediate fundamental necessities. This condition has been met. Thus we find the Magazine of Wall Street viewing the present situation in the following interesting light: "The fact is that for several years we have been going along smoothly, filling out the post-war demand for sundries, such as new housing, railroad equipment, automobiles to ride in and many other essentials and non-essentials. That demand has to an appreciative extent been satisfied."

Furthermore, economically speaking, the United States has for the last five years been like a house divided against itself. Our agricultural system, being far less developed than our industrial system, was severely undermined by the war. The casualties of economic derangement were much greater in agriculture than in industry. Since 1919 American agriculture has been in the throes of an acute economic crisis. The development has proceeded from bad to worse. We are now heading for the worst. Without delving at length into the critical conditions in the rural conditions we may cite the fact that since the first of the year more than 325 banks have failed in the Northwest in spite of the establishment of the Agricultural Credits Corporation and the extension of the life of the War Finance Corporation. The breakdown of the world market and falling grain and land prices are the primary causes for the ill trade winds in the agricultural areas.

With almost half of the country economically depressed, it was naturally only a matter of time when the other half, the Eastern industrial section, would be affected adversely. Mr. Parker Willis, a student of finance and banking, pointedly summed up the fears entertained by the captains of industry over the certainty of this disease spreading East. Said Mr. Willis: "The place where danger is now to be most expected appears to be in the small banks of the cities which have become considerably involved in real estate loans based in property at inflated prices, or which have been sustaining industries that have been largely "overboomed" by buying their paper in large quantities."

What is The Outlook?

It is yet too soon to estimate the duration of this period of economic depression.. All we can say at this time is that industry is due for a downward movement and that there are no signs of an early upward swing in the trend of our industrial development.

The pitch blackness of our immediate future is reflected in a marked tendency toward wage reductions. According to an analysis made by the Standard Daily Trade Service, "it is not to be expected that there will be a further general increase in wage rates and industrial leaders say the trend is against it. . . . It is the conclusion of students of the financial situation that, instead of increases, there very probably will be decreases because of reduced production schedules." This general tendency may, however, be punctuated now and then by weak upward fillips.

Wage reductions have already occurred in the southern cotton mills, the Connelsville coke region, the New York and Philadelphia carpet mills, the New England shoe and textile factories, the Rhode Island rubber products industry and in some steel car manufacturing companies of Pennsylvania.

The Republican nomination of Dawes for the vice-presidency indicates the determination of our employing class to force the adoption of the Dawes plan to turn Germany and Europe into an American sweat-shop. Such a foreign policy can have only a detrimental effect on the welfare of our working class. Bache's Review brings this point home rather forcibly when it says: "Labor, as well as capital, must take into consideration the fact that when the Dawes report is accepted and put into operation, Europe will begin competition in the world's markets which will grow more and more aggressive and at a labor cost of production considerably below American standards. This must affect American prices and wages, and would tend to make them gradually smaller."

Steel Rails

STEEL rails,
Straight runners ahead,
Swift runners into the future.

Take the wise strength of them
In the sure fixing of clean parallels,
Running ahead into a dream of merging.

Take them,
Let the meaning and the secret
Clutch a hold of you,
A sure strong hold
Under the heart.

Herschell Bek.

Flivver Fancies Maurice Becker