

The economic dilemma---

some suggestions

BY DR. ELGIN E. GROSECLOSE, '20

ANYONE who follows the literature of the depression, and it already fills a five foot shelf, is impressed by the diversity of causes that are assigned, perplexed by the variety of solutions offered, and confounded by the maze of forces involved. In their search for the original cause economists have peered into the pits of South African gold mines and politicians behind the walnut panels of Wall street conference rooms, have delved into the history of the Great war and the machinations of post-war statesmen. The panaceas may be found in any barber shop and college forum; they range from Mah to Mahi.

In a myriad of lights, there are no shadows, and in such diversity of opinion the true path should be illuminated the more clearly. Such dissonance of view point suggests its own harmony. The very disputations of scholars and politicians offers its own logic.

The causes of the depression are as varied and complex as human nature itself, and the problem of recovery must be solved with the integers of the human equation. The fabric of business, like the fabric of a tapestry, is to be restored only by dealing with each and every particular thread that has been broken.

This of course is a painful and eternal task, for new threads are being continually broken as the old are mended. It is so much easier to attempt to weave a new fabric, until we are confronted with fact that the old threads must be used, and we must unravel the whole fabric before we start. This is revolution. It is much easier to attempt patching, and this has been done until our economic system resembles an Arkansas quilt.

Recovery, by which is meant the restoration of economic life to normal, must deal therefore initially, or ultimately, with the individual. For it is the individual who is the repository and source of all the conflicting forces that

have so entangled themselves as to resemble chaos.

Each individual must start with the materials and forces at his disposal. For some, these forces are minute and their influence limited; so much, it seems ridiculous that their efforts should have any bearing upon the general resultant which will determine our ultimate destiny. But it is not ridiculous; it is of utmost importance.

The fact that certain individuals, whose materials are vast and whose forces are large, bankers, legislators, government administrators, are wrestling with the problem does not suffice.

The creation of a vast system of inland waterways may, for instance, increase the price to the farmer of his products; the tariff may protect his market; but the farmer who insists on getting his vegetables from a can instead of his garden will always have the depression with him.

An international monetary congress, a revision of the federal reserve banking system, may have some influence in restoring prices; but the manufacturer who regards his costs as sacred, neglects to study economies of operation and marketing, and waits for a rise in the price level, will continue to operate in the red.

These suggestions may be criticized as too intensely individualistic, too hopeless of accomplishment, too slow to deal with the cyclonic rapidity of the current movement; as ignoring all aspects of social control; that carried to its conclusion it will leave us in worse chaos than before.

Emphasis upon individual responsibility is not to overlook the value of social control, nor to suggest any weakening of effort in this direction. Legislators still have the problems of devising more equitable tax systems; administrators, the reduction of unnecessary government expenditures; bankers, the wiser use of credit; statesmen, the effect

of narrow national policies; and economists, the study of the yet unmeasured forces and influences in the economic field.

Until the mechanism of social control is more perfected, its limits defined, and its operations better understood, we must continue to rely in large measure upon the individual in his personal and corporate activity.

The complexity and elusiveness of the forces with which we deal can be illustrated in the price cycle. Of all the influences aggravating the business situation and retarding recovery, the most pernicious has been the general and continued decline of prices.

The price level has since 1920 been on a retrograde movement, comparable in magnitude and duration to the secular trend following the Civil war. In 1873 a thirty-three year decline commenced that was not halted until 1896. From 1896 it gradually rose until it reached its peak in 1920. It has now slid back down the slope toward the 1896 level until it is now something more than half way.

The conclusion that since prices are now pre-war, that is, around the 1913 level, the bottom has been reached, and we can now look for stabilization, if not a return to the upward trend, is not warranted. The decline could, conceivably, be resumed and continue until all prices had dropped back to the level of the nineties. This would be catastrophic for a world with a credit structure of existing dimensions. Yet that possibility must be faced.

The solution of the price question has been one of the most intriguing occupations of economists and statesmen. Remonetization of silver—free silver, it was called in '96—the commodity dollar, managed currencies, open market operations by the Federal Reserve banks, modifications in the banking system, all have been proposed, and some actually adopted.

An examination of the causes generally assigned for the price debacle indicate the difficulty of dealing with the problem by these means. Chief among them are the maldistribution of world gold supplies and insufficient additions from the mines to existing supplies to take care of the increase in the world's business; the inordinate overproduction of goods as a result of the rapacious competitive system of individualism; resulting in a market glut and collapse of prices; and panic psychology, creating an insatiate demand for money in preference to goods, precipitating liquidation, falling markets, and with it all intensifying the desperation of the scramble for cash.

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makes them state their peculiar views and standpoints. He contrasts them and leads them on to a point where they must become aware of their limitations. But in his ear the different voices sound like the tuning of instruments before the great symphony is played. And in his presence that harmony is already present, opposites do not break asunder, but are overcome by his arguments. But, alas, only in argument are they overcome. In reality Socrates himself will be the victim of people who cannot stand criticism.

He is an educator although he has nothing to teach. Teachers of arts and sciences may educate artists and scientists, but do they educate man? To become a just man and a good citizen would be the greatest achievement, but it is not one definite goal apart from others. It is rather one to which all others should be subservient. He must point out the desirability of such a goal and the inadequacy of all attempts to achieve it directly by a "course in citizenship." He knows about the limitation of reason when it comes to the vital and immediate decisions of life. History is not pliable. It runs its own course and has its own blind will. Is intelligent discussion less necessary because events are irrational? No! Education is inevitable even if its success is an open question and at its best must be the open-minded awareness of its questionability, otherwise the educator would cherish illusions.

The most extraordinary and shocking thing about Socrates is his acceptance of his own death inflicted on him by his own community. He knew that the charge that he "corrupted the youth" was wrong. On the other hand he did not submit to death in a fatalistic mood; he might have avoided it. He accepted death as a part of his work; like a soldier, like an ocean-flyer. But the ocean he spans is the ocean of human unhappiness and incompetency. He knows he will fail, but he also knows that the test must be made.

There is no trace of pessimism in Socrates. He unconditionally accepts reality as a dialectical problem, as a struggle, which is not ended when one partner dies.

"The philosopher in society?" Like a question mark after a sentence. One can write books without question marks. One may even try to live a life that would lack all tension, all problems, all question marks, but such a life would be dull and unhuman.

The presence and need of philosophy indicates that life is essentially and centrally problematic.

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It is obvious that social control can deal with not more than two of these causes. It may be, it is, possible to improve the operation of the money and credit mechanism so as to achieve a certain stability, although it should be remembered that credit itself is an elusive thing, dependent upon the actions of countless individuals. It may be possible to regulate production to a greater extent without endangering the benefits of the competitive system.

The third force, panic psychology, is utterly beyond social control, for it is a force operating in a field subject only to the individual will—the recesses of the mind. Though its pernicious manifestations appear only in times of great disturbance, it is always present. The axiom that capital is sensitive is only another statement of the fact.

The price level is, in a way, only a statistician's concept, and is important chiefly in relation to a pre-existing capital structure. It is in the relationship among the component parts of the price structure that is vital, and in these component parts we deal again with all the individual forces of society.

Assuming for the moment that prices could be restored to, say, the 1928 level by currency inflation or credit manipulation, the world's problem would be far from solved. One of the profound causes of the present situation was the inequalities existing in that price level—the prices of farm products in relation to manufactured goods, the price of labor in relation to the price of things he bought, the price of securities in relation to the price of commodities, and even the difference in the price of money itself in various markets.

The depression might, in a way, be dated from a certain day in May, 1928, when the New York bond market which had weekly been growing more sensitive, due to the increasing apprehension of investors over the continued offering of foreign loans, suddenly broke. The price of loan funds went to exorbitant levels—as high as sixteen per cent for call money, while at the same time equities, that is, stocks, were sold at levels of two per cent and less.

With the strangulation of credit, foreign governments became more unstable and the fabric of world business weakened. When a large British firm collapsed in August, 1929, the virus took hold of European investors; they commenced to liquidate their holdings, which included large amounts of American securities. Panic psychology recrossed the Atlantic, and it took only a straw to tumble the

speculative house of cards. The crash on the New York Stock Exchange followed, and the forces of fear have now run rampant for three years subject to no control except that of the millions of individuals who have any part in business.

Before the storm, the regimented forces of society have seemed futile. As in a military debacle, every individual is thrown upon his own resources.

The result is not entirely unfortunate. Responsibility has been returned to the source from which all authority comes, and from which all ingenuity and inventiveness upon which economic advancement depends, must proceed—the individual mind.

Too many individuals, regimented under the aegis of large corporations, lost all initiative and imagination, and became mere cogs in a machine. The loss of those human values was incalculable, and may indeed have been the greatest economic waste of the past decade. Many of these individuals have since found the adversity of depression their salvation in the discovery of hidden capacities. Many more will do so once they conquer their own panic psychology, their own fears, and reassume their hopes and courage.

Corporations, that grew too confident in their surpluses, too complacent of "policies" that had been successful in the past, too lax of expenditures, are beginning to awaken, to take stock, to call upon their reserves of human resourcefulness, to devise improved processes of manufacture, more economical methods of merchandising, new policies and practices.

With less reliance upon systems, upon government, upon precedent and policies, the opportunities for the individual loom large. In a chaotic world, there is only one master, the human mind, and if the depression possesses any fruit, it is the renewed reliance upon the sources of power resident within the individual, rather than the material substance without.

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English placement test

Mutt Miller, 157-pound football end from Wewoka, made a superior record in the freshmen English placement examination.

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Fencing

William Lee, Norman, is instructor of a weekly class in fencing at the Young Women's Christian Association in Oklahoma City this winter, according to Miss Beulah Noyes, health education director of the association.