

"AN OPTIMIST'S BIRDSEYE VIEW OF BUSINESS CONDITIONS
AND PROSPECTS."

Address by

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After accepting your generous invitation to deliver some observations on this occasion, I turned over in my mind the possible themes I might discuss. It occurred to me that I might cause a sensation by making a serious speech on business and affairs, without including any allusion to the "impending collapse of civilization." The idea struck me as so novel that I examined it with some care. Why shouldn't one try the experiment of complete unconventionality? Why not cut the bonds of tradition, and indulge the shocking originality of dealing merely with the facts? Wouldn't it be possible to shake off the fears and fancies that have befogged our reasoning, to lay the ghosts and ignore the superstitions? Might not one give a deaf ear to those spirit-rappings which have wellnigh worn out the long tables in so many directors' rooms?

Suppose--just suppose-- that one should insist on seeing the silver lining and conjuring up no vision of the seamy side! Imagine one being just simply sane and cheerful about the business and political prospect! Consider the possibilities of surprising an audience by pointing to quite a few things with pride, and declining to view any at all with profound alarm!

It would, of course, be a daring thing. The innovator could be sure of ignominious expulsion from all the rarer intellectual areas. He would have to count on constant dismissal from those exclusive sets wherein the "collapse of civilization" has latterly succeeded our old friend the "social ^{it} ~~evulsion~~", as the manifest end of the "existing order." He would merit and gain the unqualified scorn of all those of earnest thinkers whose primary postulate is that "whatever is, is wrong."

GRATIS

OCT 23 1923

The more I thought of it, the more the idea appealed to me. But when I looked about me for some models of literary form for such a speech, I found that there were none in modern records. I finally found myself delving into ancient and dust-covered tomes, printed in a language with which we are nowadays all too unfamiliar. Nevertheless, I persevered, and presently was prowling in the forgotten records of 1912 and 1914, of 1907, and even into the hoary traditions which have been handed down from the period 1893-1896.

From these chronicles of the dark ages I gleaned that there actually was a time when men wrote and talked about current affairs in such cheerful, even hopeful terms that it was frequently possible to get a hearing without even mentioning that the gold standard had become obsolete, or that universal bankruptcy was probably inevitable, or that civilization was a failure, or even that human society was on the point of dissolution. I found authentic instances of men getting their speeches printed in the newspapers, sometimes even on the front pages, even though they omitted to predict a new war, or to announce that the sun was cooling off, or that the ocean was drying up, or that a new glacial age was looming in sight just around the corner of tomorrow. It was all so curiously interesting that I decided to try the experiment of making an old-fashioned speech of that type with you gentlemen as the victims.

Before committing myself irrevocably to this performance, I determined to survey some nooks and corners of affairs, to find out whether there could be possible justification for hopefulness about anything in

human relations. At the beginning, I was reminded of the old theory of the economic causation of all wars; the theory that, for instance, the war of 1914 really happened because the industrial and commercial rivalry of Germany and England made it necessary for Germany to destroy England if Germany was to go on prospering and expanding, or else for England to destroy Germany if England was to remain a real factor in the business world. It seems never to have occurred to any of the economic causationists that the world might be big enough to hold a prosperous Germany and a prosperous England at the same time. Far less did any of these suspect that a prosperous Germany might be yet more prosperous because of the existence of a prosperous England, or that a prosperous England might actually be the gainer because of the good fortune of Germany.

We all remember when this theory of economic causation was solemnly and widely accepted. The wars of England, and France, and Spain, and Holland, of Sweden and Russia and Prussia and Poland, over a half dozen centuries, were analyzed in the light of this theory. The conclusion seemed to be that if by any supreme misfortune two countries should ever stumble into a state of progress and prosperity at the same time, they would just naturally have to fight until one or both of them was extinguished. You will all remember how some protagonists of ultimate disaster projected this theory into the future. They assured us that after Europe had finished its struggle, the United States would presently have to fight the winners; and after that, the winner of this last qualifying bout would sooner or later have to fight Japan!

It was a thoroughly developed theory, completely satisfactory to those

whom it completely satisfied. But on examining it in the light of events since 1918, I found some serious blow holes in it. I observed that England and her allies had no sooner destroyed the military power, the financial system, the monetary fabric and the world-flung commerce of Germany, than England herself began demanding the rehabilitation of Germany, in order that a prosperous Germany might resume its contributions to the prosperity of England! It seemed that England, instead of insuring her own good fortune by destroying that of Germany, was actually suffering only less than Germany herself. Instead of rejoicing because German competition had been eliminated, our English friends began to discover that in destroying German competition they had also destroyed the German market for their wares, and that this German market had been doing them vastly more good than German competition had done harm. From Manchester to Glasgow, from Nottingham to Coventry, from the Mercey to the Clyde, from John O'Groat's to Land's End, went up the demand that Germany be put back on its feet as soon as possible, for the benefit of English trade, English industry, English finance, English prosperity and peace of mind! We had ceased to hear how the Germans were capturing British markets everywhere. But we did hear, in terms of ever-increasing earnestness, the story of how greatly British industries had been dependent on the German market; of how Germany had been Britain's greatest customer in the entire continent of Europe; of how impossible it was, in short, for Britain to get on unless Germany was permitted to get on also.

This discovery that your prosperous neighbors are more useful as customers than they are harmful as competitors, has been borne in on all of us in the last five years. In 1914, Russia was the greatest wheat

exporting nation in the world. Any economist of the 1914 variety would have told you that if the wheat exports of Russia should cease, then the wheat growers of Canada and the United States would be certain to enjoy unprecedented prosperity. But how has the theory worked out? A group of gentlemen from Minnesota, Kansas and neighboring areas were telling me the other day how it had been working. While the proprieties of genteel conversation forbid a literal repetition of what they said about it, I am at liberty to tell you that they seemed convinced that there was a screw loose somewhere in the theory of getting rich off your neighbors' misfortunes. They wanted trade with the outside world reestablished, so that they might sell their foodstuffs to it. They were viewing their problem in the light of realization that trade and commerce must be reciprocal. They appreciated the big fact that in most deals, both sides profit. They saw that mutually advantageous exchanges are necessary to prosperity and the acquisition of wealth. Let me add that when you have got that fundamental established in the minds of men, you have gained much on the way to sound economic thought and procedure.

Take the merchant marine situation of the world as another illustration. Millions upon millions of tons of shipping had been destroyed during the war. Shelves and warehouses the world over were empty. Industrial plants and public works were universally in a state of disrepair. Manifestly, such ships as were left on the seas would now be assured more cargoes than they could possibly handle. Shipping, everybody agreed, was going to be one of the real after-the-war bonanzas.

But again, something went wrong with the theory of getting rich by profiteering off your impoverished neighbor. It developed that an im-

poverished neighbor is a poor customer. Even under the pleasant system of lending him the money with which to pay for your goods, he cannot be confidently relied on to stay in the market; and anyhow, there are increasing misgivings as to the ultimate profits of this sort of trading.

Illustrations might be multiplied indefinitely, to show that prosperity is a contagious and self-propagating affair; that depression is the same; and that competition among communities that are all prosperous, is truly, in a sense that too few of us have quite realized, the life of trade.

Now let us consider for a moment what progress has been made since the armistice, and what justification we can find for an attitude of hopefulness. For a long time after the end of the war, the world was almost as much absorbed in the struggle to establish peace as it had been in the business of fighting. In fact, the struggle at Versailles was so long and difficult that I think it somewhat obscured our realization of the cataclysmic character of the war, and of the enormous economic losses it had necessitated. So long as fighting was in progress and the world nerved to every effort at destruction, prepared for every sacrifice, the wheels went on turning; but when the supreme and instant need of effort and sacrifice seemed to be removed, there was a certain incapacity to realize how fearful had been the waste, and how long and painful must be the process of rehabilitation. I do not mean that anybody expected normalcy to be magically restored with the resumption of peace. I know that many people even realized that the problems of peace would be wellnigh as difficult as those of war. But this realization reached only a very small minority of people. Consequently there was impatience when it began to be appreciated

that the era of reconstruction must cover many years, and that there must be the same willingness to economize and sacrifice that there had been during the war, but without the same incentive. There must be the same willingness to forego extravagances, the same consecration to thrift, that all had so patriotically urged during the war.

Students of history knew that other great and protracted struggles, particularly the Napoleonic wars, had been followed by long periods of industrial depression and social disorganization. They knew that Europe did not even begin to recover for centuries from the demoralization that followed the downfall of the Western Empire. They knew that the long period of social and political turbulence in England, leading to the reform legislation of 1832, was as much a consequence of the Napoleonic wars as were the enormous debts which those wars imposed upon Europe.

But even among the students of history, themselves a pathetically small minority, there was small realization of the extent to which the difficulties of rehabilitation must be accentuated in this 20th century by reason of the increased complexity and interdependence of human society. The vast majority of people, who were not students of these things, could not possibly appreciate the difficulties that the world confronted.

In these circumstances, there was need for a new kind of leadership; for an intellectual and spiritual guidance, quite different from that which had been required during the war. It has been said a thousand times that a different sort of statesmanship was needed to carry forward the struggle for restoration of peace than had been required to conduct the war. This involved no reflection upon the ability or services of the men who had been the war-time chiefs. It was simply not in human nature that

a leadership steeped in the heavy atmosphere of conflict, trained to the hard determination of conquest by force, should instantly throw off this tradition, breathe the new atmosphere, and recognize the completely changed circumstances to which mankind must now adapt itself.

Let me repeat, that to say these things is not to reflect upon the skill or ability of that leadership which suddenly found itself shouldering the burden of peace-time. The leaders simply shared the disabilities of substantially the entire community. It was unavoidable that there should be an interregnum between war and the full restoration of peace. That had always been necessary, and doubtless in like conditions always will be. Men must take new bearings, and, surveying the new conditions, realize that the old order could never, -never- return as the normal state of society. They must clearly envisage the new relations and conditions, and adjust themselves to the weightier responsibilities which these imposed in dealing with the world-wide difficulties of the new epoch. They must have time to think on these things, to measure the revolution in the financial and economic world, and in the minds and hearts and souls of men. Mr. Lloyd George, declaring that England must be made " a place fit for heroes to live in," gave eloquent voice to the well¹¹high universal aspiration of this period.

The hard experiences, the grim realizations that have come to men in the last five years, have not changed that underlying purpose to make this a more livable world, to make our country a more lovable country, for the great mass of the people. But these recent years have brought much of postponement and disappointment. Hope deferred maketh the heart sick. In these five years of the struggle for restored peace, hope deferred has made the heart of mankind cynical, dubious about the better day that was to

come with its tomorrow of peace.

Let us now inquire briefly whether there are not some justifications for a more cheerful view of the situation. In an early period of the struggle to restore peace and its real blessings, I recall reading somewhere a compilation of pessimism which set forth that the world, instead of having one big war on its hands, had I believe twenty-one minor wars going on. We were assured therefore that the peace was a mere fiction. It did indeed look so for a time. But where are those twenty-one little wars today? Some of them I guess are not yet entirely liquidated, but on the whole the world has made this much progress: It has substituted something like an armed peace for pretty widespread war.

The great war is ended.

The effort of Bolshevism to drive its way westward and subjugate central Europe has been thwarted.

The later effort of Bolshevism to annex Asia has likewise failed.

The fear of Russian communism spreading itself over Germany and becoming a new and greater menace to Western civilization, has been pretty thoroughly dissipated.

Russia, by all accounts, is making progress on the way back to sanity. Some people are even worrying lest Russia shall in the coming year resume a considerable capacity for export of its staple products, and thus become once more a competitor for the agricultural markets of the rest of the world. But there is less fear in this regard than there would have been two or three years ago, because there is now a well-established realization that your neighbor's hard luck is not readily translatable into your own prosperity.

Almost everywhere, there is increasing disposition to extend a helping hand to both Germany and Russia, because there is realization that the world needs both Germany and Russia, and needs them competent, capable, productive and prosperous.

All this is entirely to the good. All this is sign that the spiritual and mental attitude of men is gradually becoming one of real invitation to permanent peace.

It will be worth while to consider some of the evidences that society is not, after all, bent on committing suicide.

The German Republic still lives, and has demonstrated its capacity to maintain itself under most distressing conditions.

The threat of a Bolshevik revolution in Italy, concerning which at one time we heard a great deal, has not been realized.

The public opinion of the world has demonstrated itself powerful enough to intervene successfully and prevent a contest between Italy and Greece.

The fearfully inhuman struggle between Greece and Turkey has been brought to an end.

Ireland has achieved real self-government, with the dominion status in the British commonwealth of nations, and peace has been restored on terms which seem to promise permanence.

Of all the problems which disintegration presented in Central Europe for a long time after the Armistice, the state of Austria seemed at once the most distressing and the most hopeless. Today we point to Austria as our best exhibit in support of the view that the will to peace, to

restoration, to rehabilitation, is capable of accomplishing the seemingly impossible.

Austria has been put on its feet and given a chance, chiefly by the cooperation of those who were its enemies. Today, instead of being a testimony to the destructiveness and unworkableness of the peace, Austria is held up as a cheering demonstration that none of the wrecks of the war are beyond the possibility of salvage.

If we will turn to political concerns immediately involving our own country, our thought must immediately center upon Japan and Mexico. The Washington conference put an end to the dangerous and long-continued friction between the United States and Japan. Three years ago there was a good deal of evidence that Japan and America were drifting toward conflict. Thanks to good sense and intelligent statesmanship on both sides, thanks to that generous cooperation among nations which made the Washington Conference successful, the menace of conflict in the Pacific has been removed. Today we see in the Pacific a maritime mobilization, not of fleets and arms bent upon destruction, but rather of the argosies of mercy, devoting themselves to one of the greatest works of benevolence and humanity that has ever been inspired by the contemplation of a supreme disaster.

I submit that if we will look on these brighter aspects of the world panorama as it has been unfolding before us, we will have to recognize that it demands a good deal of perversity to remain at all times an unqualified pessimist.

I mentioned Mexico a moment ago as a problem which, fraught with menace, was of especial concern to our own country. We are entitled to

view the present Mexican situation with particular satisfaction because it demonstrates that patience and forbearance in trying circumstances will bear good fruit. There have been patience and forbearance on both sides. Beyond that, there have been gratifying evidences that the Mexican people are determined to lift themselves up by their own efforts to a better estate in the world. There is today a better outlook for a mutually helpful cooperation between the American and the Mexican peoples than at any time since 1911. Mexico is one of the world's storehouses of natural wealth and opportunity. It has needed capital, guidance, political stability, and a fixed purpose of bettering its position as a nation in the world and as a people in their own country. We cannot reasonably question that in these directions it has recently been making great progress, which we are justified in hoping may be reasonably permanent.

I have attempted briefly to suggest why, in a broad and liberal survey of the political state of mankind, many reasons for hopefulness and even optimism may be discovered. Let me turn now to the economic side, and inquire whether there are any cheerful reflections from our political mirror. Here, as in the realm of politics, we find grounds for cheerfulness, even if not a uniformly gratifying condition. Great Britain approaches the winter with no pleasant vision of its prospects. Unemployment is very great. The burden of taxation is onerous just in proportion to British determination that every national commitment shall be executed and the national credit maintained.

Especially is British agriculture in a state of profound depression; and I think if we will examine agricultural conditions in Great Britain and in our own country, we will be impressed that the agricultural troubles

of different countries in this after-war epoch are curiously alike.

The other day my eye alighted on a paragraph in a newspaper, telling of some resolutions of the Farmers Union. They set forth that, "Failing large further measures of State assistance, the farmers will be compelled to put their industry on an economic basis, by letting much land go/waste altogether *** and, generally, to reduce our commitments, to reduce marginal costs by diminishing production, and to divert remaining commitments to the most profitable channels."

It sounded so entirely descriptive of agricultural conditions in this country that I was a little startled to discover later that the quotation was from a set of resolutions adopted by the National Farmers Union of Great Britain, and not from a pronouncement of the Farmers Union of the United States!

Certainly it is suggestive that in England, which produces only a small proportion of its food requirements, agriculture is thus described in precisely the terms that might be applied to its troubles in the United States, a surplus-producing and exporting country whose great difficulty is the collapse of the foreign market for the surplus.

On the point of unemployment in Great Britain, while the condition is bad, there are some rays of light. Thus, there are high authorities for saying that while the number of unemployed is large, the number of the productively employed is probably as large as it ever was, and nearly as large as the industrial plant of the country can utilize. The explanation is that a great army of Englishmen and Englishwomen were transferred during the war from the non-producing to the producing class. There are more

people willing to work, and in need of work, than there ever were before. More than any other country, England is dependent upon foreign markets, and a period in which it finds itself with a positive increase in its force of workers, coupled with a depressed foreign demand, is bound to be disastrous.

Turning to the continent, I am assured by competent authorities that within the last few months unemployment has been on the whole steadily decreasing in the Scandinavian countries, in Holland, and in Italy. In Germany, despite the utter demoralization of finance and money, and the depression in foreign trade, the people have to an amazing extent gone on working; tilling their fields, erecting factories and office blocks, building new houses, of which the need has been in many areas very great since the war.

In France, by universal reports, there is no unemployment, and there has been almost none at any time since the Armistice.

Belgium is constantly described as the busiest and one of the most prosperous countries in Europe.

Switzerland has had on the whole the best season, in 1923, since the war, in respect of its vitally important tourist business.

The disruption of the German money system seems to have gone as far as it is possible, and along with the collapse of passive resistance in the Ruhr and the prospects of resuming production there, measures have been initiated which look to the re-establishment of a money system bearing a calculable relationship to the gold standard.

Taking Europe as a whole, all reports indicate a highly satisfactory agricultural yield for 1923. I know how hard it is to convince an American

farmer with an unmarketable surplus on his hands, that big crops in Europe are going to help him. But I am one of those American farmers; and I dare say to the rest of them, that in the long run the prosperity of Europe as a whole will be to their advantage. Oncemore let me say, that we will do better to take our chances in a world that is getting on well, rather than in a world that is starving for the need of our food surplus, but has nothing with which to buy.

From the date of the Armistice, all the diagnosticians of Europe's troubles have insisted that what Europe most needed was to get back to producing. Likewise they have been insisting that what we most needed was to have Europe get back to producing and therefore to the ability to buy. Now, I challenge the most enthusiastic pessimist to deny that Europe has made real progress to getting back to production in this year 1923. Europe's crops are probably the best in any year since the war. There is reassuring indication that industrial production will be resumed in the Ruhr Basin, which means immediately better conditions for both France and Germany. If the fortunate European situation as to agriculture this year seems momentarily to account for some part of the depression in our agricultural values, we may find consolation in the outlook for a general betterment of Europe's industrial condition in the coming months. That betterment not unlikely will presently restore to a considerable extent our agricultural balance.

We will do well to avoid too much of prophecy. But we may safely let our vision of the future take some tones from our picture of the present. The year 1923 might have been one of disasters. Many predicted it would be.

There might have been a huge convulsion in the Near East between Turkey and Greece. It was avoided. There might have been a Greco-Italian war, drawing in half the world. It did not come. There might have been revolution in Germany, but there was not. The Anglo-French entente might have been wrecked under the strains it sustained. But it was not. Europe might have had bad crops, starvation, typhus, universal turbulence. These have not befallen. Mexico might have had an explosion, involving our own country. Instead Mexico is in better posture than for at least a decade, and our relations with her more satisfactory. It is needless to multiply cases. Let us merely keep in mind how many of possible evils we have avoided, how much of positive betterment we have gained.

There is general disposition to conservatism in both industry and finance. This is particularly to be commended at a time when the price level of the world is pretty plainly tending downward. For us, this adjustment to a general downward tendency will be the more difficult because of the continuing flow of gold to this country. There is always temptation to inflation of the currency when the supply of gold is so generous. A few years ago, every added million of gold that came was greeted as further guarantee of soundness and prosperity. It was a well-nigh universal assumption that we couldn't have too much money circulating, provided it was all solidly based on gold. At least, we know better now. That is something gained, and something immensely important. Nobody has yet found a way to stop the movement of gold to us; but many thoughtful people on both sides the Atlantic at least realize the menace of this condition, and are giving earnest thought to it. In that fact is a sign of better understanding, more accurate processes of thinking.

Here in the United States all classes of business men recognize the very real danger of having too much gold and the necessity of avoiding inflation by reason of it. This is proof of a great progress toward safety, sanity, and the sound basis for business.

The final analysis of the whole matter is that the current year has been on the whole a year of conservation and moderation in both business and politics. The greatest difficulty about economic rehabilitation since the war has been that the world has had to deal with its economic problems in an atmosphere surcharged with politics. Politics and economics have been inextricably mixed. In both business and the broad field of world relationships, we find disposition to caution, to moderation, to patience and reasonableness. This should be altogether gratifying. The situation may not be to the liking of those extremists who believe things cannot begin to get better until they have got very much worse. It may not be satisfactory to the opposite group, who believe that by this time we ought to be in the midst of an economic millenium. But it does contain many elements--let me say, a decided preponderance of the elements-- of reassurance to that great majority of people who do not expect and do not want either a millenium or a revolution.