turer is kept separate, and it is provided that instead of letting the funds increase from year to year, each manufacturer receives back at the end of each six-month period so much of his own fund as has not been needed to pay his workers for unemployed time.

The advantage to the workers needs no elaboration. Manufacturers, to get the benefit of this provision, have sought orders this year which they formerly did not try to get. Even orders on which the manufacturers make no profit involve directly a saving of seven and a half percent of their labor cost, and a considerable overhead; indirectly the employers gain by the increased stability of their labor force,—for continuity of employment means increased production per employee and a much smaller cost of labor-turnover. Manufacturers in any industry would find such saving a big incentive to secure work for their employees.

It is not possible in an article of this length to discuss the many complicated problems that must be met in working out the details of these forward-looking measures to stabilize industrial relations. Experience may show the advisability of modifications to improve the plan for installing standards and the guarantee fund. If their problems are attacked in a constructive, helpful spirit by employers and employees working together, they can be solved. Such was the conclusion of the union and employers' association in the men's clothing industry in New York, who after a bitter fight said in a joint statement: "The disastrous experience of the past six months has conclusively demonstrated to both parties that *cooperation* between the association and the union *alone* can serve their own best interests as well as the best interests of the public and the industry." It should be the aim now to secure that cooperation, without the conflict that inevitably works hardship on employers and workers and on the whole community. Employers and employees throughout the country must recognize that though their interests are not identical, they are reciprocal, that the well-being and prosperity of each is dependent upon that of the other, and that whatever is done for the progress of their industry as a whole will react favorably upon both of its vital elements. With this attitude of confident cooperation, with honest differences decided fairly and justly as they occur, with a joint control and an impartial administration of whatever measures may be developed for the best interests of the industry, the principles that are being worked out in the Ladies' Garment Industry in Cleveland may be profitably adapted to any industry in any community.

WILLIAM J. MACK.

VERSE

The Beating Heart

The heart beats . . .
What does that matter?
The heart beats.
The dead say
"Why is your heart beating so,
Beating
Night and day?"

Would it were not
Beating so, beating
Dark with pain,
Heavy as lead.
I listened. Then I laughed.
"Ha! I give you greeting,"
Said I to the dead.

"It is only for a jest,
For a trick, a riddle,
This tremor in my breast,—
For a pain feigned!
Life's a preposterous legend
Broken off short in the middle,
Left unexplained!"

But the dead would not have my bitterness.
The dead wistfully smiled,
They seemed to say,
"But why is your heart beating so,
Beating in such distress
Night and day?"

"You should know," I answered.
"It beats because of your number
And because of the part of me
That slumbers with the dead.
It beats because it may not break,
Because it longs to slumber.
You should know," I said.

But the dead would not have my misery.
They gravely gazed.
They seemed to say,
"But why is your heart beating so,
Beating interminably
Night and day?"

Then I said, "You know her smile. . . .
You know her loveliness. . . .
You know her trust. . . .
You know . . . you know . . ." I said.
And turned, scorning
Tears that made me blind,—
Turned from the dead.

WILLIAM ROSE BENÉT.

A COMMUNICATION

The Federal Reserve System and Labor

SIR: The chorus of praise which the Federal Reserve act has received on every hand is a striking thing in the history of American banking legislation. Contrasted with Hamilton's grand plan, the second United States Bank act, the National Bank act, or even the Aldrich-Vreeland law, its fate has been singularly happy. It was prophesied in the beginning that it would obviate panics and even in this very dark hour of business depression few doubts, if any, have been raised as to its efficacy. In 1913, just after the law was signed, the distinguished financial expert, Professor E. W. Kemmerer, wrote with evident satisfaction: "Here we have a mechanism well calculated to develop gradually a great national discount market for commercial paper, make relatively less important speculative call loans as a bank asset, and lessen in the future the probabilities of financial panics." Today an informed editorial writer in the World's Work finds similar gratification in the actual operation of the Federal Reserve act. "Chiefly by virtue of that act" he declares, "our bankers have been able to utilize the credit resources of the country and so to distribute them as to carry business through the dangers of deflation without the usual crashes of big corporate organizations that formerly always accompanied this process."

There seems to be no doubt that the act in question has thus far staved off, at least, the proportion of bankruptcies which has hitherto accompanied financial crises. All students of history know how, in 1837, in 1857, and in the other periodic smashes that accompanied the business process in the nineteenth century, scores of great and established banking and industrial concerns went down in ruin. Prices fell with lightning rapidity, unemployment spread in all the industrial centres, and starvation haunted the homes of working people. Then after a while the circle of production started up again and ran through a similar course. This is all familiar history.

In two important respects, however, the present crisis differs from all preceding panics. There have been relatively fewer bankruptcies and retail prices have been sustained at surprising heights.

The Federal Reserve system furnished unlimited credits for the expansion of industry which the war demanded. Paper money fairly streamed from the printing presses. Instead of Mr. Bryan's fifty-cent dollar which frightened respectable people almost to death in 1896, we have had the joys of a twenty-five cent dollar. Instead of one based on hard, white metal, at least, we have had one resting upon rather uncertain foundations. While the grand show kept up, the printing presses roared and banged away night and day. Then the crash came. The panic was upon us.

Still, there were few bankruptcies. The crisis was evidently upon us by the spring of 1920 if not earlier, but the printing presses were kept busy and the banks poured out money to overstocked manufacturing concerns. We witnessed in the summer of 1920 the extraordinary spectacle of sugar companies, heavily supported by banks, holding sugar up to thirty cents a pound while their warehouses were full to bursting and ruin was staring them in the face. So with many other manufactured commodities. Farm products, less sustained by paper, slid somewhat rapidly down the scale, but today, more than a year after the beginning of the slump, rents have fallen little, if at all, and prices generally are nowhere near the level that will stimulate new and energetic buying.

In the meantime, we are informed that there are over five million working people out of employment. So we see the other side of the shield. Millions of families are thrown upon their savings or deprived of buying power altogether, while prices are still sky-high. I believe that it is just this peculiar conjuncture of things that has not characterized preceding panics. In the "normal" course, that is, without the support of Federal Reserve inflation, many more manufacturing and retail concerns would be in bankruptcy and goods would be thrown upon the market at prices far below the present figures. Industry would have to take as much bitter medicine as agriculture and labor have had to take. It is true that the banks have now cut down on their loans and contracted the currency somewhat, but still they are underwriting a stupendous mass of inflated, if not fictitious, values in industry. In other words, it would seem that the Federal Reserve act has saved business men from bankruptcy and helped materially to sustain high prices, while workingmen have been turned out to shift for themselves, at the same time that the buying power of their savings is seriously curtailed by artificial prices.

If, as in previous panics, the business revival may be expected to appear when prices reach a point that permits buying, when may we hope to escape from the present depression nursed as it is by the very monetary system that helped to bring it about? Is it not too soon to congratulate ourselves on our escape from misfortune on account of the beneficent working of the Reserve law? Are bankruptcies unmixed blessings or wholly undeserved evils? Would it not be better to have the fever and recover quickly from it than to drag through weary months in a half dead condition? And where does labor stand, especially if the government at Washington comes to the aid of the farmers and continues to uphold the prices of food as well as manufactured commodities?

Not being an economist, I refrain from attempting to answer these questions. Indeed, I make no claim that the above analysis is sound, though I am convinced that there are fundamental elements of truth in it. At all events, here is a problem that has not received any extended consideration at the hands of those writers who spread their ink over the broad pages of our financial papers. Perhaps the American Federation of Labor would find it one of the most fruitful topics for its coming program of research.

CHARLES A. BEARD.

New York City.