

Increasing the National Wealth

AMONG all the confusion that is created in the public mind by the lugubrious utterances concerning the things which are hampering our national prosperity there is one fact which furnishes solid anchorage for a sane judgment upon the situation. Our national production is large, and our wealth is growing at a rate seldom equalled in our history. No other nation has ever had such an addition in twelve months as we have created within the last year. Neither high taxes nor tax-exempt securities nor idiotic tariffs have greatly hampered our economic growth.

A nation's wealth grows whenever its production exceeds its consumption. The year 1923 has been a year of well-nigh full production. Our consumption for the satisfaction of our current wants has absorbed only about five-sixths of our production. The remainder constitutes an addition to the permanent things which we own for use, enjoyment, and for further production. It is apparent now that we have added some \$12,000,000,000 to our national wealth through savings during the past year. For this act of producing more than one consumes is the essence of saving.

This volume of savings, or capital accumulation, or increase of wealth, whatever you are pleased to call it, is one of the most significant and outstanding phenomena of our industrial process. Next to the high standard of living which exists among all classes of our people, it is the phase of our industrial life which best typifies the accomplishments of our economic organization. England, before the war, added about \$2,000,000,000 to her national wealth annually through saving. That amount has been greatly reduced now because of the decline in her productive output. Germany added a similar amount in prewar days. She probably did not increase her national wealth at all during the past year. Italy and France together saved less in prewar days than either Germany or England. Even at that time the United States was adding more to her national wealth each year through savings than these four nations combined. Today America is the one great accumulator of capital in the world.

The business men are beginning to tell us that thirty years ago the limiting factor in production was capital; but that today it is labor. They recognize this accumulation of funds and of surplus production which is represented by our \$12,000,000,000 of savings. No longer is it necessary to direct our national economic policy primarily with a view to encouraging capital accumulation. That seems to be sufficiently institutionalized to assure the nation of funds for the promotion of industry and for the expansion of those durable material

things which are needed to maintain the great mass of people in a high degree of comfort.

Anyone who has observed the course of production during the last twelve months has realized that the volume of savings must be going on at a rapid rate. The demand for capital at home grows out of the construction of durable goods. These may be either in the form of factories and machinery to be used in further production, in the form of rails and equipment to be used in transportation, or in the form of houses to be inhabited and enjoyed. Automobiles are one of the most important of these types of durable goods. Their uses fall partly in the productive class and partly in the category of consumption goods. But whatever the uses to which these durable products are put, it is their manufacture which calls for saving. If a new house or a new road is to be built someone must expend labor today in producing the material and erecting the dwelling. The house gives off its uses during the next fifty years. Those who produce materials and build are paid immediately for their services, but someone must wait while its uses are maturing.

Occasionally one meets some pessimistic observer who feels that we are living upon our capital. He either does not understand the nature of the process of capital accumulation or else he confuses the accumulation of capital with its wise investment. Those are two separate questions which must be kept apart if one is to make any progress in analyzing this phase of the nation's activities. During 1923 an amazing amount of our national savings went into automobiles, trucks, and things that minister unto them and their users. About three and one-third billion dollars was spent for the purchase of automobiles and trucks. More than \$600,000,000 was spent in building good roads. Over \$500,000,000 was put into garages and their equipment and into additions to automobile factories, and an amount much larger than this into new oil development, pipe lines, storage facilities and refineries. A full \$5,000,000,000 of the excess of our national production over consumption has gone, therefore, into durable goods which have to do with automobile traffic.

Whether this is good or bad is a question of ideals and judgment; but it does not alter the fact that we produced these things within the year; and having produced them we did not consume them immediately, but added them to our national equipment. The same excess production could have furnished a billion dollars for the financing of loans to Europe and the purchasing of American wheat, meat and machinery for the rehabilitation of European industry. We produced and saved

the wealth by our industrial activities during the year. It is interesting to speculate as to what would have happened to the rate of interest if this capital, or even half of it, had come to the investment market as a demand for bonds and stocks. The prophecies of low interest rates which prevailed almost universally twenty-five years ago would certainly be much nearer realization today if it were not for this device of transportation which seems to have succeeded in making itself all but a necessity.

After the automobile our building activities are the great absorber of capital. Some of the expenditures connected with the automobile industry, such as garages, refineries, and additions to factories, are themselves of this class. But there still remains some \$4,000,000,000 of building which has nothing to do with the automobile. Automobiles and building, then, account directly or indirectly for some \$9,000,000,000 of wealth expansion and absorption of capital. Both of these items are largely expenditures for purposes of future consumption and enjoyment.

The other large items which have absorbed our productive activities into durable additions are to be found in additions to our railroads amounting to almost \$1,000,000,000, and to \$1,250,000,000 of investment in the extension of telegraphs, telephones, electric light and power plants, and other public utilities.

There is another billion dollars to be accounted for in odds and ends. We imported some \$300,000,000 of gold. This is again an item of doubtful wisdom, but the automatic workings of international trade have dumped it into our hopper; and the Federal Reserve Board, together with the governors of its banks, are lying awake nights devising means of keeping it from doing harm. The cities and states made other improvements besides those represented by roads and buildings, amounting to several hundred million dollars. The farmer has improved his fences and buildings and increased his stock of implements and hogs. The small business man has enlarged and improved his facilities and his equipment. The stock of various kinds of furniture, including musical instruments, has been augmented. None of these latter items runs into figures at all comparable with those for automobiles and general building; but they account easily for more than \$1,000,000,000.

Such is the picture in rough outline of the uses to which the new capital which we have accumulated has been put. Every man may judge for himself as to whether the use was a wise one. But as to the volume of the national savings there can be no question.

The task of tracing the sources of these savings and the process by which they were brought into the hands of those who finally assumed the responsibility for constructing the things which represent

them is a more intricate one. A large part of these funds came to the market in payment for securities issued. All told, the Commercial and Financial Chronicle shows new capital issued, exclusive of re-funding, of \$4,300,000,000. This does not represent all the securities issued; their total must have been over \$5,500,000,000.

These funds came in considerable part from the receivers of large incomes. People who have incomes of \$25,000 and over get them in considerable measure from interest and dividend payments. But a goodly portion of these savings have come from another source which is playing a constantly growing rôle in the process of capital accumulation. The life insurance companies have collected in premiums this year about \$2,000,000,000. They have added to their net assets about \$800,000,000. Their payments of death claims and endowments have been large, and these have gone in considerable degree into various sorts of investments.

Much of the capital which has been saved has not been put into stocks and bonds, but has been loaned on real estate mortgages and land contracts. Such a volume of savings as is witnessed this year has undoubtedly resulted in the issue of a tremendous amount of real estate indentures. A large part, too, of the expanding wealth of the nation during 1923 was financed out of profits which were never distributed in dividends. The corporations of the United States made profits for the year of about \$8,000,000,000. Of this they will pay \$1,000,000,000 to the federal government in corporate income taxes. Their dividend distributions did not exceed \$4,000,000,000; this left \$3,000,000,000 of corporate surplus for re-investment. The small business man and the farmer reinvest their savings primarily in their own businesses, either in debt payment or in expansion of plant.

Despite the large volume of securities issued and the demand for funds in the building trades, we have come to the end of 1923 with falling interest rates and easy credit conditions. The volume of bank loans has not expanded greatly during the year and nowhere is there evidence of inflation.

All of these facts go to show that our savings have kept pace with the demand for capital, great as that demand has been. The old notion that high wages and the distribution of a large portion of the national income to the laborer militates against capital accumulation has been disproved during the last few years. The prophets of disaster may continue to leap upon the altar and cry out and stab themselves after the manner of the priests of Baal, but economic process goes its way toward an industrial society in America in which the means of wellbeing will exist for all.

DAVID FRIDAY.

The Abbé Morellet

TALLEYRAND once remarked that only those who had lived in France before the Revolution had really experienced *la douceur de vivre*. The Abbé Morellet would have agreed with him. Born in 1727 at Lyons, the son of a small paper merchant, how was it possible, in that age of caste and privilege, that André Morellet should have known anything of life but what was hard, dull, and insignificant? So one might have supposed; but the contrary was the case. Before he was thirty this young man, without either fortune or connections, and without taking very much trouble about it, found himself a member of the most brilliant society in Paris, the close friend of the famous and the great, with a rosy future before him. The secret of it was simple: he had shown that he was intelligent; and in those days a little intelligence went a long way. So, indeed, did a little—a very little—money. A thousand francs from a generous cousin had opened Paris to him, by enabling him to go to the Sorbonne, whence, after five years, he had emerged an Abbé and an infidel. A chance meeting with Diderot did the rest. The great philosophe, forty years of age and at the height of his intellectual power, completely captivated a youth whose eager mind was only waiting for new ideas and new activities. Every Sunday morning the Abbé scaled the stairs to Diderot's lodging, to sit entranced for hours, while the Master poured forth the irresistible floods of his amazing conversation: "J'ai éprouvé peu de plaisirs de l'esprit au-dessus de celui-là," wrote Morellet long afterwards; "et je m'en souviendrai toujours." One can well believe it. The young man listened so intelligently that Diderot soon saw he would do; enrolled him among his disciples; introduced him to all his friends; and set him to write articles for his great Encyclopaedia. *La douceur de vivre* had begun.

Thirty delightful years followed—years of exciting work, delicious friendship, and ever-growing optimism. The great battle for liberty, tolerance, reason, and humanity was in full swing; the forces of darkness were yielding more and more rapidly; and Morellet was in the forefront of the fight. He wrote with indefatigable zeal. Besides his Encyclopaedia articles, he produced pamphlets in favor of the Protestants, he brought out a *Manuel des Inquisiteurs*, exposing the methods of the Inquisition, he translated Beccaria's great work. But his principal interest was political economy. A close friend of Turgot, he was one of the earliest believers in free trade. He translated *The Wealth of Nations*; though the cast of his mind contrasted curiously with Adam Smith's. The Abbé, like

most of the philosophes, preferred the *a priori* mode of argument. The reasons which led him to favor free trade are characteristic. The rights of property, he argued, are fundamental to the very existence of civilized society; now to interfere with the freedom of exchange is to attack one of the rights of property; therefore protection and civilization are incompatible. This extremely complete argument seems to have escaped the notice of Tory Free Traders.

But the Abbé was not merely enlightened and argumentative; he had another quality which was essential in these days if one was to make any figure at all: he was malicious—though only, of course, at the expense of "the enemies of reason." Some particularly biting little fly-sheets of his actually brought a word of praise from the mighty Patriarch of Ferney. "Embrassez pour moi l'Abbé Mords-les," wrote Voltaire in a letter; "je ne connais personne qui soit plus capable de rendre service à la raison." This was a testimonial indeed! Morellet's reputation went up with a bound, and he himself declared that the sentence was all he wanted by way of an epitaph.

Only one thing more was needed to make his success complete; and that a kindly fate provided. Palissot, a protégé of a certain great lady, the Princesse de Robecq, attacked the philosophes in a satirical farce. Morellet, among the rest, replied with a stinging pamphlet; but he was unwise enough to direct some of his sharp remarks, not at Palissot, but at the Princess. This could not be allowed. Madame de Robecq had been the mistress of the Duc de Choiseul, who was all-powerful with Madame de Pompadour and, through her, with the King. A *lettre de cachet* sent Morellet to the Bastille. One can imagine no more striking example of the corruption and tyranny of the *ancien régime*—if only the poor Abbé had been treated properly—thrown into an underground dungeon, let us say, loaded with chains, and fed on bread and water. Unfortunately, nothing of the sort occurred. The victim was given a comfortable room, plenty of excellent food, a bottle of wine a day, provided with writing materials, and allowed all the books he asked for, besides being given the run of the Bastille library, which was especially strong in novels. He spent three months in peaceful study; and returned to liberty with the added glory of martyrdom.

Liberty and martyrdom—one hardly knew which was the more pleasant. In Paris one's mornings passed in reading and writing—the quill dashing over the paper with a heavenly speed; and one's afternoons and evenings were spent in company. There were dinners at D'Holbach's; there were