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Take Heart, Provincials!

NEW YORK CITY houses the chief publishing firms in the United States, and the principal periodicals, with a few exceptions. The vast business of producing the country's literature is concentrated here as in no other city in America. Bookstores are all about us, the news of the world is digested for us daily, and weekly, and monthly, in a hundred easily procurable forms, within the grasp of the least fortunate. There is a network of branch libraries. Even a person of modest means can keep abreast of the most important books, of the most important news. Yet though the average metropolitan reader has such a multiplicity of advantages, in the satisfaction of his desire to read, over his brethren more widely scattered throughout the country, it is extremely doubtful whether he is better educated.

The New Yorker, to be sure, often prides himself upon being better informed concerning the literature of the world and the news of the world. He may read more books, more magazines, more newspapers. It would be curious if he did not; a more plentiful supply is to his hand than elsewhere. But quantity reading, as we may term it in the loose language of our time, does not signify very much. The New Yorker is acquainted with a great many ephemeral names and reputations in contemporary letters and with a great many minor garish events of little importance which, perhaps, do not come within the ken of the provincial reader. And yet, quite possibly the provincial reader may have a far sounder perspective on literature and life. We think this is often the case.

The provincial's eyes are not so distracted by publishers' advertisements, by the counters of myriad bookstores. Periodicals like the one in which this appears enable him through reviews to pick and choose at leisure. Owing to the remarkable development of book distribution in these states the few really important books of a season are easy for him to get. And what is most important he can give more time to their perusal.

For the metropolitan is not only distracted by many books, the great city constantly amuses itself, and for his moments of relaxation offers a medley of diversions that directly conflict with reading and the pursuit of information. The metropolitan's acquaintance is often large, the telephone involves him in a network of social engagements. New York is a feverish work-and-play city, and the play part is often a singular waste of time, for all its glitter. Even the meeting of notables at the sundry teas and receptions and cocktail parties is but to grasp the hand of some literary lion and to say a few hasty words before one is again swallowed up in the vortex of other visitors. A great deal of it simply comes under the head of idle amusement.

Those aloof from a metropolis may retain a little of that greatest of all commodities from whose lack the life of a great city sickens today, namely, a proper leisure. If these yearn for what we might style the fleshpots of literature, to find themselves sucked into the whirlpool of discussion of books and of first-hand literary acquaintances, they may comfort themselves with the assurance that, far as they may be from what they regard as "the centre of things," they will, after all, find the best expression of any writer or of any critic upon the printed page, they will find the most interesting discussion

Light

By LOUISE TOWNSEND NICHOLL

NO calendar or counted days
Need tell the time of year;
While light keeps its accustomed ways
The month must appear.

Leave only light, the lovely light,
The daylights as they fall
With sudden difference strong and slight
Upon a brick wall,

Where your eyes will idly go,
Unlit, preoccupied—
And find a light you used to know
Returning like the tide.

There its thin and yellow gold
Does February fling,
A medal cast in antique mold
Faintly stamped with Spring.

There I see September now,
Taken unaware
By splendor of a god's brow
Too radiant to bear.

And if there were no known name—
January, June—
The light on walls would lie the same
In the afternoon,

Familiar, startling, and profound,
Recurring unabated,
A presence resonant as sound,
Indubitably dated.

Economic Activity*

By WESLEY C. MITCHELL

WITHIN the hundred years since Simonde di Sismondi wrote about the uncertainties of catering to a "metaphysical public," the problem of keeping the rate at which each kind of goods is produced adjusted to the rate at which each kind is bought has been growing ever more intricate. Factory production has taken over one household industry after another, market areas have widened, the variety of products has multiplied, industrial equipment has become more elaborate and more specialized. On one side of the market stand the millions of money-income receivers, who provide for most of their families' wants by buying goods which others make. On the other side stand these same millions with their diversified capabilities as workers, their diversified properties in natural resources and industrial equipment, and their fluid investment funds, seeking the most profitable markets for all these productive energies. The buyers of goods and the sellers of goods are the same persons; but this identity does not enable them to keep their efforts as producers, organized in business enterprises, adjusted to their wants as consumers, organized in families.

The most active rôle in determining what use shall be made of the country's natural resources, industrial equipment, investment funds, brains, and brawn is played by business men.

When the earliest theories of crises were being formulated, economists could assume that there stood at the head of the typical business enterprise a capitalist employer, who provided a large part of the invested funds, carried the brunt of the hazard, performed the "work of superintendence," and pocketed the profits. Millions of enterprisers of this versatile type are still in business; but they are most numerous in industries where the scale of organization has remained what it was in the days of Sismondi and Ricardo. These are industries in which the business-cycle hazard is small. In the industries dominated by large-scale organization, the single capitalist-employer has been replaced by a "management," which includes the more active directors and high officials, often with the addition of one or two financial advisers, legal counsel, and large stockholders. It is this group which decides what the corporation shall do.

The "labor of superintendence" which men like Richard Arkwright and Robert Owen undertook in the early nineteenth century involved oversight of industrial, as well as commercial and financial, plans and operations. But under the impetus of scientific discoveries and mechanical inventions, the technique of industrial processes rapidly became so elaborate that this combination of functions ceased to be feasible. A few, very few, men possessed the versatility and the energy to keep abreast both of the increasingly exacting business problems and of the increasingly exacting industrial problems. Almost with the start of the Industrial Revolution, there began a division of labor between the men skilled in designing and operating machinery, and the men skilled in dealing with the markets for wares and

*This essay is to constitute a chapter in Mr. Mitchell's "Business Cycles: The Problem and Its Setting," to be published by the National Bureau of Economic Research in June.

This Week



"The Singing Crow." Reviewed by
Louis Untermeyer.

"The Almost Perfect State." Reviewed by *Ellwood Hendrick.*

"Prejudices." Reviewed by *Hazleton Spencer.*

"Five Weeks." Reviewed by *Charles Seymour.*

"Cortés, the Conqueror." Reviewed by *Carleton Beals.*

"Marching On." Reviewed by *James Southall Wilson.*

"The Arrow." Reviewed by *Sidney Howard.*

Next Week, or Later

Invocation. By *Stephen V. Benét.*

between periodical or book covers. And if they are a week or a month, or even six months, behind the early birds in sampling the most succulent literary worm of the season, what of it? They have the advantage of weighing one critical opinion against another and of forming their own opinion in their own good time.

Hardly a day goes by when the wail does not come from some metropolitan writer, critic, or
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money. While the old capitalist-employer has evolved on the one side into a business management, he has evolved on the other side into a set of technical experts.

Although the technical experts who build upon the natural sciences know most about the making of goods and the technical experts who build upon the social sciences are coming to know most about the managing of men, they remain merely advisers to the captains of industry. Higher authority belongs to the business men. That is an inevitable result of economic organization on the basis of money economy in its present form. For the crucial factor in deciding the fate of a business enterprise is not the perfection of its mechanical processes, the excellence of its personnel work, or even the cleverness of its selling methods. All such excellencies contribute toward business success, and it is on this ground that the technical professions get their chance to share in the guidance of economic activity. But the final test is the ability of an enterprise as a whole to make profits. This fact entrenches the business men in their position as the authoritative leaders of the industrial army.

Business managements, however, must often submit their decisions to review by a higher court. Most enterprises need to borrow, and this fact gives the lenders an effective veto power over proposals which do not meet their approval.

The review of the projects of enterprises by lenders is no perfunctory affair. Nor is its practical influence upon the guidance of economic activity slight. There are always being launched more schemes than can be financed with the available funds. In rejecting some and accepting other schemes, the men of money are taking an important, though not a conspicuous, part in determining how labor shall be employed, what products shall be made, and what localities shall be built up.

The court of last resort in deciding what goods shall be made is the whole body of consumers with money incomes to spend.

Since retail merchants, public utilities, personal-service agencies, and professional men strive to supply what the public will buy, this rule applies immediately to the production of goods which gratify personal wants. Less strictly, the rule applies also to the production of the materials from which consumers' goods are made, to the production of all producers' goods used in making consumers' goods, and even to the production of producers' goods used in making producers' goods. But the farther the remove from personal wants, the less is the control of consumers over demand and the larger the element of business discretion. Business managements and their technical advisers have considerable leeway in choosing what locations, what materials, what equipment and what services they shall use in production, and in what proportions they shall combine the several factors. Nor is the timing of business purchases rigidly bound by the timing of consumers' purchases. Thus the accurate form of statement is: production is guided by forecasts of what consumers will buy, supplemented by judgments concerning profitable methods of providing both consumers' goods and the endless variety of producers' goods which modern technique requires.

Even within the range where their control is most direct, consumers exert their authority as guides of production in a passive fashion. Usually they reveal what they want made only by buying briskly certain of the finished goods offered them, and by buying other goods slowly. Producers follow the leads thus given as closely as they can, but also endeavor to stimulate demand and to direct it into profitable channels. Indeed, it seems that consumers often learn what they want by looking over the wares displayed in the shops. People are conscious of the general character of their needs, rather than of the specific goods which they desire. To decide precisely what foods, garments, furnishings, ornaments, or amusements one will buy is a difficult task. The picture given by so many economic treatises of buyers coming to market with their minds already made up about what goods they wish, and what price they are willing to pay at need for successive units of each kind, is an undeserved compliment to the mental energy of mankind. Even to canvass the market's offerings thoroughly, takes more time and thought than the average shopper will devote to the task. So people follow an easier course, buying what

they have bought before, what they see others using, or what advertisements and salesmen urge them to buy. The psychological categories important to the understanding of consumers' demand are habit, imitation, and suggestion—not reflective choice. In particular, new products are seldom called for by consumers conscious of ungratified wants; they are pushed upon consumers by business enterprises, which often spend large sums in "educating the market," or "creating demand."

One reason why spending money is a backward art in comparison with making money is that the family continues to be the dominant unit of organization for spending money, whereas for making money the family has been superseded largely by a more highly organized unit. The housewife, who does a large fraction of the world's shopping, is not selected for her efficiency as a manager, is not dismissed for inefficiency, and has small chance of extending her sway over other households if she proves capable. She must buy so many different kinds of goods that she cannot become a good judge of qualities and prices, like the buyers for business houses. She is usually a manual laborer in several crafts, as well as a manager—a combination of functions not conducive to efficiency. From the sciences of most importance to consumption, physiology and psychology, she cannot get as much practical help as the business man can get from the more mature sciences of physics and chemistry. Above all, she cannot systematize all her planning on the basis of accounting like the business man; for while the dollar is a satisfactory unit for reckoning profits as well as costs, it is not a satisfactory unit for expressing family welfare. Under these conditions, it is not surprising that what the world has learned in the art of consumption has been due less to the initiative of consumers, than to the initiative of producers striving to win a market for their wares.

Yet with all their puzzles, consumers are in a strong market position. Their formal freedom to spend their money incomes as they like, combined with their massive inertia, keeps producers under pressure to solicit custom, to teach the public to want more goods and new goods. This task of stimulating demand is never done; for the march of technical improvement is ever increasing our capacity to produce, and before we have learned to distribute and to use what has just been added to our output, new advances have been scored.

With technical experts to plan the processes of production, business experts to guide the making of money, lenders to review all projects requiring large investments, government to care for the public welfare, and with the whole buying public as final arbiter, it may seem as if the business economy provides a staff and a procedure adequate to the task of directing economic activity, vast and intricate as that task is.

This impression is strengthened by observing that each class of guides is spurred to efficiency by hope of gain, and deterred from recklessness by fear of loss. The engineer who blunders is discharged, the enterpriser who blunders goes into bankruptcy, the lender who blunders loses his money. Thus the guides who misdirect the industrial army are always being eliminated from the number of those who lead. On the other hand, those who succeed are always being promoted to posts of wider power.

Nor does all this apply merely to the leaders of economic activity. In theory, every adult is free to choose whatever lawful ways of making a money income he thinks wise, and to change as often as he likes. Thus every worker has a modest share in directing production. In practice, of course, the range of occupations for which anyone can qualify is limited both by his native capacity and by his opportunities to get the requisite training and social connection. But the pressure which the business economy applies to the rank and file of the industrial army to develop efficiency in working and spending money is certainly not less severe than the pressure it applies to the captains. The older writers who expounded the philosophy of individualism emphasized the need of such pressure to make men work and save, at the same time as they argued that each man is the best judge of his own interests. Later writers, who credit men with less rationality than was the fashion a century ago, hold that economic individualism, involved in the current money economy, is a safeguard against failure to recog-

nize where self interest lies. Professor John Maurice Clark's remark on this head is whimsical only in part:

Individualism may be regarded, not so much as the system calculated to get the utmost out of a people of extremely high intelligence, as the system in which human stupidity can do the least harm.

With this powerful stimulation of individual efficiency, the business economy unites an opportunity for coöperation on a grand scale. By paying money prices, the leaders can enlist the aid of laborers who contribute work of all kinds, of expert advisers who contribute special knowledge, of landlords who contribute the uses of their property, and of investors who contribute the uses of their funds. And all these classes can be made to work in disciplined order toward the execution of a single plan. The fusing of incitements to individual efficiency with opportunity for wide coöperation is the great merit of the business economy.

That men like making and spending money as a way of organizing economic activity on the whole better than any other system they have yet practiced on a large scale, is indicated by its history. The business economy has grown out of the preferences of millions of men in successive generations and in all quarters of the world. The medieval king and his tenants, the lord of the manor and his serfs, seem all to have gained by substituting monetary payments for the rendering of personal services. No one forced the housewife to give up making her own bread and candles; no one forced the frontiersman to buy clothing in place of dressing in buckskin. It was because they preferred the new way of providing for their wants when the opportunity to choose was presented, that consumers patronized the retail shop selling factory products. So, too, banking could develop only as great numbers of people year after year found it useful. Not that the growth of money economy has involved no coercion, loss, and injustice—witness, for example, the tragic side of the enclosures which made possible farming for profit, the sufferings of peasants who could not learn the art of living on money, the oppressions exercised by money lenders, and the tragic struggle of the hand-loom weavers against the power loom. But broadly speaking, it seems clear that this feature of culture could have attained such general acceptance by the most advanced peoples of the world after so thorough a trial only because it seemed to meet their needs more adequately than the other forms of economic organization with which they have had experience.

Nevertheless, the business economy has obvious limitations as a system of organizing economic effort for the satisfaction of wants—limitations which must be noticed because they bear on the problem of business cycles.

1. The business economy provides for effective coördination of effort within each business enterprise, but not for effective coördination of effort among independent enterprises.

The two schemes of coördination differ in almost all respects. Coördination within an enterprise is the result of careful planning by experts; coördination among independent enterprises cannot be said to be planned at all; rather is it the unplanned result of natural selection in a struggle for business survival. Coördination within an enterprise has a definite aim—the making of profits; coördination among independent enterprises is limited by the conflicting aims of the several units. Coördination within an enterprise is maintained by a single authority possessed of power to carry its plans into effect; coördination among independent enterprises depends on many different authorities which have no power to enforce a common program, except so far as one can persuade or coerce others. As a result of these conditions, coördination within an enterprise is characterized by economy of effort; coördination among independent enterprises by waste.

In detail, then, economic activity is planned and directed with skill; but in the large there is neither general plan nor central direction. The charge that "capitalistic production is planless" therefore contains both an important element of truth and a large element of error. Apart from the transient programs of economic mobilization adopted under stress of war, civilized nations have not yet developed systematic plans for the sustenance of their populations; they continue to rely on the badly coördinated efforts of private initiative. Marked progress has been made,