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Human Factors in a Depression

By **Newton D. Baker**

This winter charity workers say will be the most difficult period of the depression. Newton D. Baker, as chairman of the Welfare Relief Mobilization of 1932-33 discusses the legal and ethical rights of industrial, and the employed man's, charity.

IF THE RESPONSIBILITY for the present crisis can be laid at anyone's door, surely Big Business is the most likely doorstep. Many of us who have grown up in the United States feel that the capitalistic system brings with it the largest social and economic gains. The period of depression in which we are now plunged has taught us, however, that this system has defects. Thousands who have suffered in the present economic crisis have for years entrusted their independence to the leaders in the capitalistic world. If these leaders do not recognize and meet their responsibility at this time, there is no doubt that those who are suffering will of necessity call this leadership into question.

We have grown accustomed to hearing our country referred to as the richest nation in the world. In the coming winter not only our much heralded wealth is being tested but our entire economic and social system as well. Millions are out of jobs. Millions are suffering in this land of plenty. The most trying winter since the start of the depression faces us. What are we going to do about it?



The last fifteen years have taught us many things. We should be ready to profit by these teachings. We have discovered that no country or even continent is completely self-sufficient. The welfare of each nation as well as each individual is bound securely with the welfare of all nations and all individuals. The prosperity of the country is linked closely with the prosperity of its people and the welfare of employers with that of employees. Again the question, "Who is my neighbor?" is answered by another, "To whom have you proved yourself a neighbor?"

The obligation for giving this year does not fall on the shoulders of the rich and powerful business concerns alone! It is an obligation which rests upon all who are gainfully employed. The financing of necessary welfare services is a

community obligation to be shared proportionately. Those who, however, are endowed with large means should assume their due share of the burden. They should give, not because it is good policy, but because they have at heart the preservation of the human interests of the country.

That our people of



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wealth have been recognizing this obligation is evidenced by a report from the Association of Community Chests and Councils compiled from the returns of last year's campaigns. This report states:

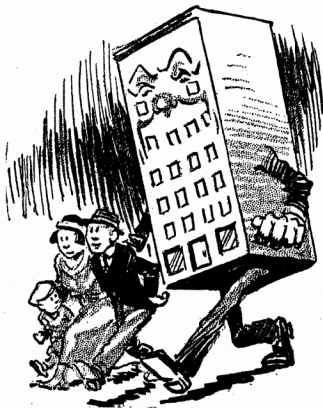
"A notable increase by the wealthy in their gifts to community chests for the year 1932 is an outstanding feature of the analysis of chest giving. Nineteen leading chests raising \$21,000,000, secured an increase of \$4,300,000 from their givers who make contributions of \$1,000 or more."



The American community has undergone many changes during the last two decades. The individual owner and the locally managed business are disappearing in favor of corporations with branches in several places. In social service work a similar phenomenon is observed. Personal charity has developed into specialized philanthropic work carried on through voluntary welfare organizations and administered by trained workers. In 410 American communities a further advance in philanthropic methods has taken the form of the community chest. The object of the community chest is to coordinate all the charitable agencies and unite all the social forces in order to render more efficient service to the entire community. The united appeal for funds which the community chest makes once a year is the way in which it endeavors to coordinate local philanthropic giving.

The National Bureau of Economic Research in its study of "Corporation Contributions to Organized Welfare Services" sums up conditions of today in this colorful statement: "From this community the flour mill has disappeared. From this community the local bake shop which bought its flour from that mill has likewise gone. In this average American town of today it would be difficult to find a family which bakes its own bread. The 'staff of life' wrapped in wax paper and bearing some nationally known trade mark name is delivered to consumers by way of chain stores from an enormous baking plant. This giant bakery serves several communities. It is one of a number of bakeries owned by a great food corporation. The individuals who direct and manage these local factories are not the principal owners, although they may own a few shares of stock. They are salaried employees. The actual owners of the corporation are legion. In fact any one can become a part owner in this national baking company or in the chain store by telephoning an order to a stock exchange broker. The operation of these plants and stores is no longer directed from the local community but from a headquarters office in some large city, oftentimes distant from the community in which manufacturing or merchandising is carried on."

Corporations nevertheless have the right to know how much "neighboring" their employees need. A special study in Cleveland showed that on the average 38 per cent of the employees of leading industries had at one



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time or another been given relief or service by community chest agencies. A similar test made in Columbus, Ohio, showed that out of 3,292 employees of various corporations (the names selected at random as was done in Cleveland) the families of 29 per cent had likewise benefited by agencies represented by the community chest.

Contributions from corporations are, therefore, not a generous gesture; they are based on good, sound business considerations.

According to the study of the National Bureau of Economic Research, corporations gave 22 per cent of the total funds of the 129 community chests raising 84 per cent of all chest money in 1929.

These contributions were prompted by the following facts: Corporations are realizing that they are citizens and taxpayers in the communities in which they are located and that their welfare is bound up with that of individual communities. They realize that they are more likely to succeed if located in prosperous communities. Therefore, any contribution which tends to make for better community and business conditions tends to aid the corporation.

It is a short-sighted business man who builds for today only. A progressive man builds with the future in mind. If industrial prosperity is to be ours again, we shall need trained and strong workers. To give, then, this year, is not alone a humanitarian project; it is good business.

The reputation of a corporation for enlightened policies in regard to its employees is not limited to the places in which plants are located but is of sectional or national importance according to the size of the concern. The "good will" for its products is affected by the corporation's policy towards its workers.

Another recognition that such contributions are "good business" comes from the courts. The interpretation given to the Federal income tax law in a series of progressively clear decisions definitely classifies contributions such as we are now considering not as mere donations but as "ordinary and necessary" business expenses. Many well known decisions exist to confirm this legal standing. A decision rendered in the case of the American Rolling Mill in which a community chest contribution was to be expended for the benefit of the American Legion, Board of Education, Boy Scouts, City Commission, Community Building, Girl Scouts, Hospital, Girls' Club, Public Library, Park Commission, Road of Remembrance, Recreation Association and Y. M. C. A. reads as follows:

"It is accepted as true in the industrial world that strikes and shifting labor conditions impair efficiency of production, and that contentment and well-being add to the skill and productivity of workmen. Acting upon that principle, the large industries of the country almost without exception have engaged in mutual interest work in one form or another with their employees, with the view of contributing to their comfort and pleasures, encouraging them to purchase homes, and giving them such interest in the community as to make them an asset of the business. Such work has been considered by the courts as a corporate function having a substantial relation to the program and success of the industry. Thus it has been held that expenditures for hospitals, dispensaries, medical services, schools, libraries, churches and recreational centers are all necessary and proper expenditures in aid of corporate purposes. * * *

The question always is whether balancing the outlay against the benefits to be reasonably expected, the busi-

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ness interest of the taxpayer will be advanced. The answer must depend, among other things, upon the nature and size of the industry, its location, the number of its employees as compared to the entire community, the type of its employees, and what other employers similarly situated are doing. * * * All of the projects to which this fund was devoted, with the exception of the city commission and the contingent fund, were needed for social, educational and recreational purposes. They were projects which in modern times are necessities in a community, and they could only be had in this community by petitioners' paying for them or joining others in doing so."

This year with the formation of the Welfare and Relief Mobilization by twenty-nine nationally known welfare organizations, we are able to present a united front in meeting the welfare and relief needs of the United States. We find that relief needs in our country have increased eightfold since 1929. Requests for free treatment in hospitals have increased since the depression to the point where hospitals are giving away in free service as high as 30 per cent of what they expend. Visiting nurse organizations in 14 metropolitan areas report a steady increase in free visits starting with 1929 when free service constituted 52.7 per cent of the total service, until 1932 when these services totaled 58.3 per cent. Free clinical service given by 144 agencies in 19 metropolitan areas showed an increase of 18.5 per cent in 1930 as compared with 1929 and a further increase of 14.3 per cent in 1931 over 1930. An increase of over 33 per cent in the number of girls seeking jobs through employment bureaus of Y. W. C. A.'s in seven cities was shown for the winter of 1930-31. Last winter 100 cities reported for 1,000 recreational centers an increase in attendance averaging 30 per cent, and boys' clubs all over the country announced thousands of boys unable to get work returning to them for educational and recreational activities. The winter of 1932-33, according to the prediction of leaders in the social service field, will prove the most difficult period of the depression.

America's greatest asset has been the courage of her people. Those of us who are in positions of trust and responsibility must see to it that the man power of our nation is kept unbroken and unimpaired if we hope to stage a comeback for better and more prosperous times. Upon the welfare of the people depends the ultimate welfare of a nation!

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