NEW OUTLOOK

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How Poor Is America?

By Robert R. Doane

A nation's wealth can only be measured by the volume of its products. Robert R. Doane, economist, analyst and author of "Wealth, Income and Consumer Purchasing Power in U. S.," uses this realistic measure in cutting through a mass of statistics and conflicting data to arrive at a new estimate of our present wealth.

IF AN IMAGINARY GIANT could have mounted some mighty tower on a clear mid-afternoon in the spring of 1929, and, with sweeping glance of his telescopic eye, reviewed the whole of the United States as it carpets some three million square miles of the face of the earth, he would have been gazing out upon the modern world's most valuable single piece of property.

Before him—spread in majestic panorama—with all of its labyrinthean grandeur lay nearly two billion acres of rolling fruitful land—for his impartial contemplation. Aside from the great industrial workshop along the eastern seaboard and the Great Lakes, there would have swept westward from the Appalachians and the Adirondacks to the Rockies a vast and prolifically fertile plain—the spacious valley of the Mississippi—a thousand miles wide and about as long. In this single strip of land, from ocean to ocean, between the parallels of 26 and 55 degrees north, stretches, in all its luxuriant promise—man's new Garden of Eden—in a very old, and, at the moment, extremely weary world. Here were a billion acres of farm land, a half-billion acres of verdant forests, a hundred million acres of iron, copper, coal and mineral land, thirty-four million acres of rivers and lakes, and another hundred million acres of urban territory in various stages of unfinished development.

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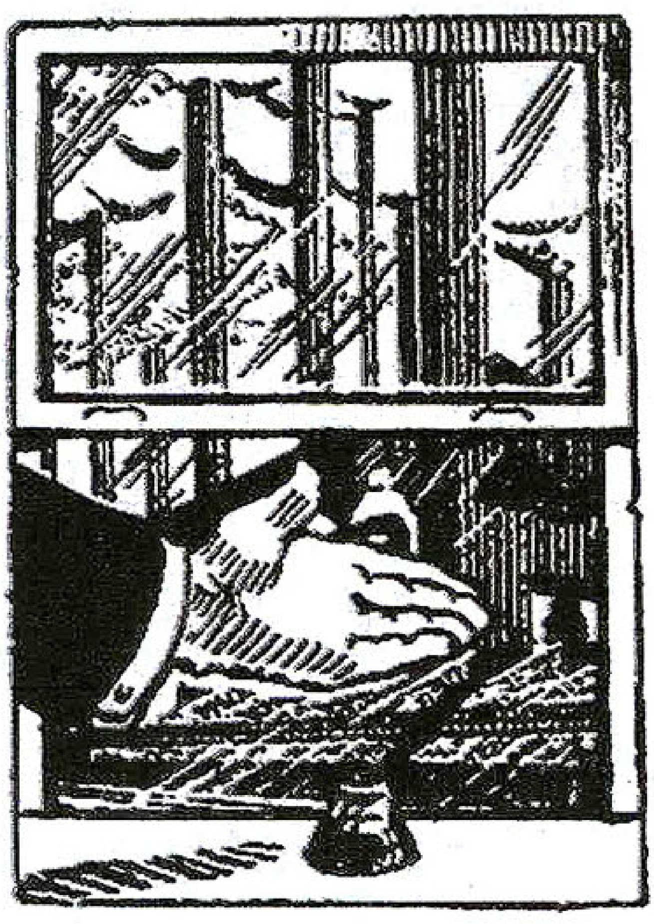
Sprinkled in clusters over this expanse could be seen more than sixteen thousand villages, towns and cities, surrounded by nearly six and one half million farms. Here were some thirty-seven million buildings and structures housing factories, stores of goods and materials, power plants, libraries, schools, churches, theatres, hospitals, barns, silos, filling stations, and homes. Here were also some 127 million machines of iron, steel, brass and bronze—made from the ground upon which they rested—and fashioned by man to perform miraculous things. Engines, turbines, motors, dynamos, tractors, lathes, spindles, presses, an almost countless array of efficient mechanical devices holding within themselves the power of 700 million invisible horses to aid in the tasks of men.



Nor is this all that a discerning eye would have seen. Standing out impressively would have been that astonishingly vast and intricate net-work of connecting paths. Winding and threading their way—under, over and upon the earth—in a colossal jig-saw-like maze would be seen some 93 millions of miles of varied transport lanes binding and welding this enormous community into one inseparable, homogeneous neighborhood. Two million miles of rural roads, six hundred thousand miles of surfaced highways, two hundred and fifty thousand miles of steel rails, fifty-nine thousand miles of navigable waterways, seven hundred thousand miles of petroleum, gas and water pipe lines, one hundred and sixty thousand miles of electric transmission lines, and eighty-eight million miles of telephone, telegraph and cable lines. A spectacle that dwarfs the seven wonders of the world! The mightiest transportation plant ever built. A monument in copper, steel and macadam to man's indispensable mobility—the conquest of space.

Here and there under the shade of spreading foliage and in open pasture land could be seen grazing more than one hundred and eighty-five million horses, mules, cows, sheep and hogs. A half-billion chickens, turkeys, ducks and guinea-fowl were in the barn-yards. A grand total population of domestic animals almost six times that of the population of man.

Here, then, were resources in abundance. To the struggling, impoverished humans of a few centuries ago this would have appeared as a veritable heaven, the true El Dorado, beyond all possible hope of man's practical attainment. Yet such was the pleasant scene in the spring of 1929. A scene dominated by tranquillity and contentment. An inventory of resources as fabulous as the superlatives it has taken vividly to describe it. And, upon inquiry from our visitor to the tower, our bookkeepers of this enterprising property would have informed him that what he had just reviewed was valued in the prevailing currency of the realm at some 452 billions of dollars in gold. The richest single community ever built, inhabited, or managed by man.

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Now, in the spring of 1933—some 48 months later, an incredibly short period of time—should our imaginary visitor, or anyone of ourselves, mount this mighty tower, there would be a physical scene but little changed to look out upon. In fact, and in many respects, there would appear quite notable improvements! Some twenty millions of additional acreage would be found under cultivation. We have 104 more power-houses, 36,000 more miles of pipe lines and 150,000 miles more of surfaced highways. Also we have more school houses, more libraries and churches. There would be found still an abundance of wheat, corn, cotton, wool, copper, and other stores in the warehouses. More money would be found abroad in the land. More gold in the banks. And, above all, five million more human beings that have come to increase the population during the four-year period.

"Ah!" our visiting friend might well say to our bookkeepers: "indeed you are a remarkable people! You have done well. You have added to your family numbers. You have added to your physical property—and, I observe, through the peaceful rest of some 14 millions of your people who now no longer toil—you have added the rewards of leisure."

"Oh no!" our bookkeepers must regretfully reply, "we have suffered much. We have lost some 200 billions of dollars of our wealth. Our total income is less than half that of four years ago. We can no longer find sufficient work for our men, our resources, or our machines." Whereupon, at such an astounding revelation, in the face of visible contradictory evidence—now observable even to the naked eye—our visitor takes leave either bewildered, as his heart fills with munificent pity, or with profound disgust.

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The foregoing has been made by way of creating a setting for what follows. Such a method of approach through actual physical resources is the only way in which we can first strike down through the great mass of existing confusion, entanglements and controversy over current problems of adjustment, to the fundamental facts beneath. Much of our quibbling runs in money terms whereas ultimately a nation's prosperity can only be measured by the volume of its product, and by the manner in which that product is distributed among its institutions and its people. When the foundations of previous concepts of capital and of property seem to have been shaken, the intelligent individual can only stop and take an inventory, penetrating in its completeness, if he is to arrive at constructive conclusions upon which to base his future economic action.

Have the American people, as a whole, suddenly become so much poorer in the past few years? Or has this flood of liquidation been unnecessarily violent and blindly deceptive? Has it resulted merely in a shift of capital from one group to another? If not, where has all the money gone that once absorbed unlimited issues of domestic securities, that floated successive foreign loans, that kept an unprecedented speculation alive and in continuous operation for so many years? Has the capital supply of the United States been actually dissipated, or have we been tricked into believing it was exhausted? Is the present astonishing lack of funds an illusory thing, or does it represent a condition of more or less permanence? To ask these questions is simple—but necessary.

The fact that such questions are not new but have recurred with each successive depression throughout the past half-century warrants their most comprehensive examination. They are entitled to a hearing, and they are entitled to the most honest of all possible answers. Our past knowledge of business crises has shown repeatedly such events to have been due to (1) economic revolutions, (2) the development of new institutions, and (3) the resulting new set of conditions, in all of which our leaders of affairs had not sufficient knowledge, experience, or broad integrity for their proper management and control.

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We have been treated to a maze of statistical findings of such questionable validity as to place our knowledge of economic facts in an altogether needless state of chaos. On one page of our morning paper we read the statement that the governor of a great state finds "an abundance of money and credit for all legitimate business enterprise." On the next page of the same paper we find an important group of bankers declaring that "there is no surplus of funds." At the top of one page we read "Employment increases 1.9 per cent," at the bottom of the same page we read "Employment decreases 3 per cent." At the beginning of one year the bank examiners of forty-eight states issue a solemn proclamation that banking conditions were never more sound. And within twelve months, more than 4,000 banks close their doors. We read estimates of the national wealth ranging from 360 to 450 billions of dollars for the same year. We read estimates of the national income with an even wider margin of extreme variation. The president of a great fact-finding body issues a specially printed document wherein he declares that there has been an "increase in savings to the stupendous amount of over 50 billions of dollars" during a depression year!

The demagoguery of the political stump would seem to melt into sheer infantile innocence before such blatant economic quackery. It is just as much a felony for government officials and business organizations to issue misleading and half-accurate statements as it is for a corporation willfully to tamper with its balance sheet and income statement for the purpose of affecting public estimates of their values. By such acts it must be obvious that deceit and bigotry did not die when Martin Luther nailed his thesis upon the church door. There are just as many sacrifices on the altars of economic bigotry today as ever existed in the middle ages. The underlying motives of men may shift like the sands from the Gods to Liberty, and from Liberty to Wealth. But this does not mean that they know anything, or ever did know much about the subject matter of their objectives. From an age of ritualistic robes to an age of stuffed shirts is but a step. The robes have merely been discarded for the publicity agent and a few bright but dumb college graduates. The damage such methods may have done to sane public thinking has unquestionably been great. But it cannot be considered as completely irreparable. And this—every man who is capable of straight thinking knows. We may "kid" ourselves into a depression, but we cannot "kid" ourselves out.

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Now if all of this is true, it then appears that we have been, as a people, somewhat stubbornly persistent in living upon a level of intelligence considerably below that of which we are capable. As has been observed above, wealth, welfare and the common weal are but the accompaniment of mobility and informed action. Activity of this sort is of the very essence of wealth. Without it, wealth withers, stagnates and decays. There is nothing inherent in the physical properties of wealth that can add to the increment of man's well-being without the corresponding labors and industry of men—be that wealth incarnate in bricks and mortar, land, labor, machines or power tools.

With all of the work that is needing to be done, with almost ten thousand towns and communities in America without means of adequate sewage and garbage disposal, with imperfect water supply systems, with antiquated transit systems, lack of public health and recreational facilities and pathetic general housing conditions, we stand dumb, mute, and idle.

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What, then, is balking our progress? What are the obstacles that are so frightfully obstructing our paths to sane action? Is it fear of phantoms, or some abiding lingering faith that by borrowing time through moratoria we may somehow be cared for by the avenging gods of fate?

Demand! Effective demand that comes only to market with spending power. Yes. These are the answers. But through what agency? Through what markets? There are three great markets in the world we know, namely: (1) foreign markets, (2) domestic consumer markets, and (3) the capital goods market. Foreign markets are small and fractional and for the immediate present of problematical value. Domestic consumer markets under continued unemployment and reduction of incomes cannot hope through any process of magic to expand. Capital goods markets are already vastly overcapacitated.

Somewhere, somehow, the people of America, and of the world, await increased spending from somebody. And this can only be accomplished through the instrumentality of some agency empowered with sufficient authority and credit to make its objective effectual. A very long time ago a wise man remarked: "Government comes into existence in order that men may live together—and continues its justification of existence in order that men may live well." The original concept of government implied the necessity of an organization equipped with sufficient compulsory powers to care for the collective wants and needs of the people whereby its essential value can only be realized in practical form through the economic activity required for this purpose. It is only from such a point of view that anyone can see clearly the necessity of government, a necessity which has always been the starting point of all financial operations, and thus connected with the whole of our economic activities and the problems of wealth and of property. Thus it has been but natural for the people to turn first to government in their periods of distress. In the abdication of private initiative there has been nowhere else to turn. Our own government's stake in our nation's banking and business enterprise is now so great that disaster in the one field could only mean disaster to our government and to its people. In the avalanche of crucial events of today the financial and social policies of all governments become of fundamental importance.

The public has not lost its wealth. It has lost control over its wealth. The prompt development of adequate programs involving positive economic action must now be met through whatever agency falls at hand—and without stint. The means and method are known to more than one high priest of finance. With the casting aside of petty selfishness a great wave of restoration and hope would re-vitalize the world. We are faced now with the problems of fundamentals, and not with the puzzles of competitive, individualistic policies.

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Periodically, for a number of years, we have had various estimates of the national wealth. As a matter of fact the Bureau of the Census in Washington has supplied estimates bearing directly upon our total wealth at ten year intervals since 1850. These estimates have been broken down into such categories as real estate, urban and rural, livestock, farm implements, gold and silver coin and bullion, manufacturing machinery and tools, railroads and their equipment, communcation systems, shipping and canals, agricultural, mining, fisheries, manufacturing and imported products, furnishings, clothing, works of art, monuments and all articles of personal adornment. Thus it will be seen that wealth in most of its aspects is composed of a highly heterogeneous mass of many things, from hay and milk, iron and cotton-land to pigs and pearls.

For more recent years we have had wealth estimates from the National Industrial Conference Board, the Federal Trade Commission, the Chamber of Commerce of the United States, and many private studies in addition to the Bureau of the Census. Although all of the above recognize that their results are rough approximations at best, yet they supply us with a measure more or less adequate to arrive at a rate of our wealth accumulation and to note the more significant changes which have occurred from one category to another.

Thus it will be noted that there have been many estimates of the wealth of America, as well as many estimates of the wealth of the American people. Which are two entirely different things. And at the present time such a distinction becomes of the utmost importance, not alone from the standpoint of business but from that of the formulation of major political policy as well.

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No adequate conception of the total national wealth can be obtained until it is broken down into its major functional parts. Profit and non-profit bearing wealth must be segregated. The value of monuments, public parks, country clubs, golf courses, and many non-productive items must be eliminated from our computations. When this is done an amazing fact presents itself to view. Even in the peak year of 1929 the American people were utilizing but slightly more than *one-half their total wealth for the normal productive processes.* And, what is of even more significance, since the turn of the century that proportion of our total wealth devoted to monetary profit-bearing production has undergone continuous decline. These are matters of record and are all subject to more or less careful and accurate measurement.

This is no isolated bit of phenomena, but is equally true in varying proportion among other lands. The point is that in a period where all forms of property have undergone such drastic changes in value it becomes imperative that we discontinue broad generalizations and the promiscuous use of grand totals for a more detailed observation of the nature of wealth and property and the various uses to which they are put. There are also the problems of *tenureship* and of *distribution* of property among the various wealth-holding groups that must enter into any useful analysis.

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It is only after these factors have been taken into consideration that we find that all of the wealth, as has been so frequently asserted, is not vested in the hands of the people. Various institutions operating under definite trusteed agreements, corporations under legal protection, banks and financial holding companies, government sub-divisions and foreign holdings have all to be considered when we attempt to locate the capital assets of a nation.

Now the management of wealth and property is rarely as simple, and almost never as appealingly comfortable, as it looks. The high commissariat of Russia or the Rockefeller Foundation in America would be the first to tell you that.

When viewing the problems of property as wealth in this sense, we cease to employ the vague term "wealth" and substitute "capital" in its place. Bank deposits, cash in hand, cash surrender value of life insurance policies, tax exempt securities, stocks and bonds form the first line defense in our liquid capital reserves. Mortgage holdings, real estate equities, fiduciary estates and claims combined with all forms of personal property chattels make up the second, and last line, of defense. The capital values in this latter classification are not so readily convertible, and in periods of declining values can only be realized through appalling sacrifices. In fact an extremely large portion of this character of capital is barely convertible at all.

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It is further worthy of note that more than one-half of all our individual capital reserves in the hands of the people are in this non-liquid form. Moreover, at the present time, that form of reserves in the hands of the people which are represented by cash, demand and time bank deposits and cash surrender value of life insurance, stands at less than sixteen per cent of the total individual capital reserves. And that portion of this type of reserves, in the hands of 99.03 per cent of all income recipients below the $5,000 income classes, stands today at less than 6 per cent. A point worthy of the utmost serious attention.

A wise observer of life once remarked that a man's judgment is no better than his information. It was an abstract statement, to be sure, but it applies with unerring accuracy as the perfect definition descriptive of our prostrate world of today. Never has there been such an abundance of relevant factual data as exists in the archives of American business and of American government as may be found today. Never has there been such a flagrant disregard for the uses of such information. It is part of the outstanding phenomena of our time.

Due to the fact that everything that man makes for human use and for human and mechanical consumption comes either off or out of the earth, we can tabulate every item in the long list of mineral, forest, fisheries and agricultural products. We can set beside each item, be it bauxite, manganese, gold, or spinach, the quantitative amounts produced in terms of pounds, tons, and dollar values annually. Each item can even be traced, throughout the whole list of classifications, as to where it goes, and in what amounts, and what happens on the way. We can go much further. The interrelationship between industries, the interlocking rates of growth, how gains or offsets affect the whole of industry or some fractional part. It can be demonstrated as to the effect upon capital earnings, employment, consumer purchasing power, and government tax receipts as well. This is no idle fancy, but an immense practical fact capable of detailed demonstration. Thus far has knowledge advanced during so recent a period as the past ten years.

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The four grand divisions of our economic enterprise may now be studied in detail, as to numbers employed, capital invested, income germinated, liabilities incurred, and taxation receipts. For purposes of condensation and simplification it is well to recall that we are continuously engaged in four primary operations, namely: the *production of raw materials,* the *processing and manufacturing* of these materials into more useful forms, the *distribution* of these goods to the ultimate consumer through retail and wholesale outlets, and the rendering of *services* by way of transportation, communications, public utilities, professional, insurance, banking and governmental. Under normal conditions there has been a remarkably even distribution of the total gainfully occupied among these main divisions, although the distribution of capital and income has been somewhat less uniform. Because of limitation of space, the full analysis cannot here be presented. However, the following comparative percentage distribution tabulation together with changes that have occurred since 1929 may prove enlightening:

Year 1929	Gainfully Occupied	Total Income	Total Capital	Debt Liabilities	Total Taxes
Raw materials	25.5	12.4	17.1	9.8	14.6
Manufacturing	24.2	31.2	14.1	6.6	17.7
Distribution	24.3	25.1	18.2	18.0	14.3
Services	26.0	31.3	50.6	65.6	53.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Year 1932					
Raw Materials	32.1	13.7	22.7	9.4	16.1
Manufacturing	18.5	25.1	17.4	4.8	15.9
Distribution	18.6	27.4	19.1	15.5	13.9
Services	30.6	33.8	40.8	70.3	54.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

It will, of course, be noted that the great volume of unemployment has fallen almost entirely within the fields of manufacturing and distribution. That there has been but a very slight change in the shifting of debt liabilities and tax burdens, whereas the shifting of capital values has been most notably manifest in the field of services. Services as here used include transportation, communications, public utilities, professional services, and the uses of all urban real estate for business profit. All three fields of raw materials production, manufacturing and distribution or merchandising employ the use of services. It will also be observed that after the alarm displayed by certain groups over indebtedness outstanding against obsolete equipment, the total part played by manufacturing in the entire debt structure is an astonishingly small one. The big problem here is to be found in services. Especially does this relate to railroads, to government, and to the home mortgage and floating current debt of the people. It is in this field where three-fourths of our total liabilities are to be found, and at this point where the whole problem must inevitably be first attacked. What might, at first glance, appear as a discrepancy in capital changes is chiefly due to the volume of materials and stocks of goods on hand, while in services the major declines have been in transportation and in urban real estate values.

Considerable further enlightenment may be obtained by securing a complete picture of capital wealth and debt liabilities as they have undergone change during the past four years. The following condensed tabulation shows, in addition, the percentage of debt (both

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long and short term) liabilities to total capital assets, and the percentage distribution of total tax and interest payments to total gross income.

(All monetary figures in millions of dollars.)

Year 1929	Assets $	Liabilities $	Per cent of Liabilities to assets	Percent total tax payments	Percent total interest
Raw Materials........	77,600	17,285	22.1%	5.1%	5.4%
Manufacturing	64,200	11,700	18.2	1.5	.9
Distribution	82,700	31,651	38.2	1.5	2.9
Services	227,900	114,651	50.2	5.1	10.9
Total...........	452,400	175,253	38.7		
Year 1932					
Raw Materials........	48,700	15,300	31.4	10.0	10.2
Manufacturing	37,400	7,950	21.1	2.3	1.0
Distribution	40,900	25,156	61.3	1.5	3.0
Services	86,800	113,294	130.4*	5.9	13.5
Total...........	213,800	161,700	75.6		

**Liabilities exceed assets by 30.4%.*

Here can be seen vividly the full significance as to where our great volume of debt liabilities have fallen the heaviest. In the field of services, which as stated before contains railroads, public utilities and urban real estate, we find a state of *negative* capital. That is, the liabilities exceed the total assets. It is also quite worthy of note that taxes have placed their chief burden upon raw materials and services, with noteworthy proportionate increases upon raw materials in 1932. Thus the great burden of both debt and taxation has fallen almost exclusively in the fields of raw material production and services in 1932, to the extent of almost 20 per cent of their gross income.

The normal difficulties surrounding exact measurement of the national income have met with increasing perplexities during the year just past. Especially has this been true in computing governmental subdivision salary and wage payments. Due to the financial embarrassment of many municipalities a portion of such civil payments have been met through the issuance of scrip. The exact amount of this practice cannot be definitely measured at this time as full reports are not available. Another factor of increasing importance has been that of welfare and emergency relief payments. The continued decline in employment and total wage payments, which has directly affected more than 60 per cent of the total national income, has vastly increased the burden of relief agencies. The spreading growth of barter exchanges coupled with the issuance of community scrip and special trade scrip has also proven difficult of measurement in monetary terms.

The following tabulation of changes and apportionment of the total national income received in money payments by individuals is worthy of particular note:

(All figures are in millions of dollars.)

Year 1929	Wages	Dividends	Interest	Rent	Other	Total
Raw Materials..	3,537	492	327	1,291	5,469	11,116
Manufacturing .	17,966	2,546	209	182	7,115	28,018
Distribution	17,129	625	52	1,780	8,288	27,874
Services	14,931	1,776	2,064	2,598	1,218	22,577
Total	53,563	5,439	2,652	5,851	22,080	89,585
Year 1932						
Raw materials...	2,354	219	222	673	2,544	6,012
Manufacturing ..	8,015	1,001	88	101	1,709	10,914
Distribution	6,552	135	14	1,010	4,210	11,921
Services	10,544	803	1,135	1,303	852	14,637
Total	27,465	2,158	1,459	3,087	9,315	43,484

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Comparisons with 1929 show decline in the total wealth to have been 52.5%, declines in total income 51.5%, with the most drastic declines in dividend payments, other income (which includes net profits from private business enterprise, pension payments and insurance payments), and total wage payments. It will also be noted that total wage payments still remains the dominant portion of the total income.

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With all of these considerable changes in the wealth and income of the American people since 1929, and with the corresponding catastrophic declines in purchasing power, America is still in possession of the largest volume of liquid credit and liquid capital reserves of any nation in the world. In 1929 the United States held 44.6 per cent of the total wealth of the world. In 1932 that proportion has increased to almost 50 per cent. In all of the items of economic importance and efficiency the United States still stands supreme. We still have half the banking-power of the world. We still have half the income. Our capacity for industrial and agricultural production still stands overwhelmingly greater than that of any group of our nearest competitors. We have sufficient resources to solve the problems of poverty. We possess sufficient knowledge to care for the perils of plenty. Can it be that we are poor in wit alone?

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