



CHEER



UP!



ROGER W. BABSON

Cheer Up!

BETTER TIMES AHEAD!

By

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FOREWORD TO THE FOURTH EDITION

TWICE during this world depression, which began in 1929, I have been forced to think:—the first time, during an illness late in 1930, and the second, after being thrown from my horse early in 1932. On both occasions, apparently adverse circumstances furnished me with the opportunity to read history, to meditate, and to pray. Business letters, telegrams, 'phone calls and everyday details were handled by others;—in ninety-five per cent of the cases as well as I could have handled them myself! (Why is it that we have to be sick, or hurt, in order to be freed from burdensome details and be given time to do creative thinking?)

Both these periods of study and meditation led me to the same general conclusions, namely:—first, that the world is constantly getting better; secondly, if it is, then every depression must be followed by an even greater period of prosperity; and thirdly, that these "ups" and "downs" are the result of changes in our personal characters, as expressed either by *con-*

Foreword

structive efforts or *wasteful mistakes*. Lying upon my back I realized that although illness is due to stupidity, avarice or indulgence, yet the health of the nation is continually improving. It further became quite evident to me that although the nation's economic ills are due to similar causes, yet economic conditions are likewise on the upgrade.

Just as illness generates its own anti-toxin and fever its own cure, so it is true that depression will also furnish its own remedy. History—as far back as records are available—shows this to be true, and no reputable historian was ever known to be a pessimist. If you think what I have written is too frivolous, just remember these facts—between the day on which the book was started and the one on which it was finished, more than a year elapsed, and that it was written either when my temperature was at 102°, or when my foot was in a plaster cast. So, CHEER UP!

R. W. B.

Babson Park, Massachusetts.

June 20th, 1932.

CONTENTS

I. PROSPERITY ALWAYS RETURNS . . .	9
II. AN AIRPLANE VIEW	22
III. DOWN AND UP	33
IV. LESSONS TO LEARN	43
EPILOGUE	59

I

PROSPERITY ALWAYS RETURNS



IN THESE exacting days through which we are passing all of us would do well to remember that periods of industrial and commercial depression are always temporary.

We should bear in mind that they are followed, invariably, by periods of prosperity. That the average man forgets this fact is plain enough to any student of mob psychology or to any observer of every-day thought.

The Light of History

One of the best attested facts of human life and activity is the tendency of the average man blindly to follow the crowd. Men will do almost anything, except think for themselves, and of all human ills, our moods are perhaps the

Cheer Up!

most contagious. Success breeds success; failure begets failure; quite often, an entire nation is entirely optimistic or wholly pessimistic. Especially does this apply to the large centres of population, where the average business man either believes that prices will reach the skies, or that the bottom will drop out of the market. He seems absolutely unable to strike a happy medium. Now this attitude is an wholly erroneous one and, save for the fatal tendency just referred to, has no historical basis. Hence, my first recommendation therefore is that business men look at things in a sensible light—in the light of history—and here follow four reasons for its acceptance and adoption:

1. Just as a declension from prosperity is due to the dishonesty, inefficiency and general carelessness which develop during good times, so a return to prosperity always follows the better frame of mind which develops during a period of depression. During the early stages of a depression people instinctively regard it as being temporary, and refrain from changing

Prosperity Returns

their habits of living and methods of business. As the depression continues, however, they are forced to get down to "hard pan." Finally, they conclude that the country has permanently entered upon a period of hard times and that good times are gone, never to return. They feel that prices and wages have permanently reached lower level and that they must cut their coats according to their cloth. This inevitably results in a substitution of honesty for dishonesty, efficiency for inefficiency and the desire to be of more use in and to society, in place of greed and a desire to get something for nothing. In addition, they are inspired by a determination to give more in value and labor for each dollar received. With the adoption of this new and wholly laudable spirit, a return to better times is rendered possible, then probable and finally, inevitable.

2. As fear and pessimism develop during a period of depression, they always cause business men to carry curtailment too far, and to shut down more widely than the circumstances warrant. Just as people increase their pur-

Cheer Up!

chases too greatly on a rising market, so they decrease too severely on a declining market. Merchants become panic-stricken and reduce their stocks to a minimum, and resort to a meager hand-to-mouth turnover in manufactured goods. In view of the scanty orders received from retailers, manufacturers curtail production and consequently abnormally reduce their purchases of raw materials. As a consequence, prices of raw materials decline below the cost of production which, in the course of a couple of years, results in a much reduced output. Less lumber is manufactured; less ore is mined; and fewer products are raised. The curtailment is always overdone. Even during a depression the average family does not change its standard of living. This being the case merchants eventually find themselves unable to supply the demands of customers because of depleted stocks, and compelled to rush orders to the factories; these, in turn, are found to be short of goods and frantically place orders for raw materials, and, lo, good times have returned!

Prosperity Returns

3. As a period of depression progresses, it always results in the development of new uses for existing products and in the discovery of new ones. As the price of a certain commodity declines, the field for its use geometrically increases. For a specific use much less of a commodity is needed in times of depression, but with lower prices ruling, other uses become available during depressed conditions. Furthermore, laboratory workers, inventors and research organizations, which, during prosperous times devote their energies to devising labor-saving devices, in days of depression focus their attention on devising new uses for existing products. These and other agencies are constantly working toward a return of prosperity and can be depended upon always to function. Furthermore, it must be borne in mind that some unrehearsed turn of events is liable to take place, in this world of ours, at any time, such as will change the entire situation. It may be a great discovery, or a foreign war, or some other unforeseen event, circumstance which lifts people out of the rut of depression,

Cheer Up!

by forcing them to take thought concerning other and more momentous eventualities than are represented by their own individual troubles.

4. Idle money, piled up in great volume during every period of depression, finally seeks investment. It is a little difficult, perhaps, for a man who is trying to borrow money to credit this statement; nevertheless statistics clearly show it to be true. During panicky conditions, banks pile up huge reserves in anticipation of runs; business men build up bank accounts for fear they cannot obtain credit, while individuals hoard their savings against the "rainy day"—the day wherein they may find themselves without employment. Of course this conservative attitude on the part of these interests should have obtained during the period of prosperity; but to have done so would have been to act contrary to human nature. Most of us wait until it rains, before buying an umbrella, and we wait for the arrival of hard times before laying up cash reserves. Statistics further show that during hard times people

Prosperity Returns

withdraw hundreds of millions of currency from the banks and hide the same in safe-deposit boxes, mattresses and sugar-bowls. Nevertheless people will allow their money to remain idle for just so long and no longer.

Eventually idle money burns a hole in one's pocket. Banks must loan money in order to pay dividends. Hence, when the worst of the squall is blown over, they begin to loosen up, and again lend freely without waiting for a return to the acme prosperity. This results in an increase in commodity-prices which, in turn, brings about a resumption of purchasing and a consequent restoration of mills and factories to normal production. This, of course, increases employment and the general purchasing power of the country. Just as the depression developed a momentum of its own, so does prosperity increase like a rolling snowball. Therefore I recommend that we business men forget our worries, cease depending on government agencies to pull us out of our troubles, and proceed to SAW WOOD. Of course, we shall have to tighten our belts,

Cheer Up!

work harder and attend strictly to business; but these things never hurt a man, nor even tired him. It is **WORRYING** that works the mischief, and there is no excuse for it. Let us have done with it, and set our minds on worthier things.

There is a very logical reason for this change of attitude in those having idle funds. During the first part of a depression, it is impossible for corporations to reduce expenses as rapidly as receipts fall off. This results in depreciated net-earnings and, in many instances, severe losses. Quite naturally, investors refrain from buying securities under such conditions. Gradually, however, this out-go is reduced, red-ink figures eliminated, and, finally, a profit shown even though gross receipts continue small. This inspires investors with confidence and a logical reason for investing again—especially in anticipation of the fact that when good business *does* return, net earnings, at the outset, will be very large. Moreover: Just as there is a lagging interval before wages and other expenses are reduced, so is there a hiatus

Prosperity Returns

before wages and other expenses are again increased. By investors returning to the bond-market, money is again rendered available for improvements and developments. The expenditure of this money compels an increased demand for labor and raw materials which still further increases general purchasing power, and makes for the speedy return of prosperous times.

Causes of Business Cycles

In reality the business-cycle is the curve of man's attitude towards his neighbor and life. Starting from a normal business condition, men strive to be useful and a period of business improvement naturally develops. Success breeds success and soon a period of prosperity is being enjoyed. Prosperity, however, always begets carelessness, inefficiency and unrighteousness. The desire to get something for nothing becomes the dominant incentive, and the inevitable outcome is business declination. As people see their profits fading away, they tend to become panic-stricken and throw over their holdings of commodities and securities.

Cheer Up!

Creditors sell out borrowers which adds to the general debacle and depression follows.

How does a nation extricate itself from a business depression? Acts of Congress, governmental decrees and plans of various sorts help, of course. But *fundamentally* a nation recovers only as its citizens recover which simply means when the individual attitude towards life is changed. In the early phases of a business depression the general feeling is that it will be but of short duration. This leads people to continue for a while along existing business and personal lines, and restrains them from making changes. The spirit of speculation, too, so rampant during a period of prosperity, still continues. This accounts for the strong rallies which follow the first great drop in prices. People still adhere to the hope of getting something for nothing, and make one, or two, or even more attempts to "get in right" and recoup their losses.

Finally, however, people become discouraged. Following their entering the market to buy at variously lower levels, they see commodity and

Prosperity Returns

security prices go still lower. Then they give up trading and conclude that speculation is dangerous and useless. (Of course it need scarcely to be said that during these same deflated conditions of a business depression is the real time to speculate, rather than during the inflated conditions of prosperity; but there appears to be no apparent use in telling people so.) Men then turn to their own businesses and conclude that they must resort to a dependence upon their own efforts to work out their own salvation. As this new spirit becomes general, honesty takes the place of dishonesty, efficiency the place of inefficiency, and a desire to be useful the old desire to get something for nothing. In lieu of a determination to give as little as possible in service or materials for a dollar, a desire to give as much as possible, "pressed down and running over," develops on every hand.

It becomes evident, therefore, that a nation emerges from a business depression not so much through legislative action as through a change of heart. But to be effective, the

Cheer Up!

mutation must be general. It must include all groups—wage-workers and employers, farmers and manufacturers, bankers and merchants. As these groups, each in turn, learn the lessons taught by adversity give themselves to repentance and the turning over of a new leaf, prosperity begins to return. Furthermore: the more intense the depression, the sooner, the more certain the repentance and return to prosperous days.

Writing nearly forty years ago, a prominent economist remarks:

"Now, however, we are coming into collision with facts which there can be no mistaking. From all parts of the civilized world come complaints of industrial depression; of labor condemned to involuntary idleness; of capital massed and wasting; of pecuniary distress among business men; of want and suffering and anxiety among the working classes. All the dull deadening pain, all the keen maddening anguish, that to great masses of men is involved in the words 'hard times', afflict the world today. This state of things, common to communities differing so widely in situation, in political institutions, in fiscal and financial systems, in density of population and in social organization, can hardly be accounted for by local causes."

Prosperity Returns

The above was written in 1894. Isn't it a pretty fair description of what we have suffered during the last twelve months? In days like these, therefore, it is profitable to turn to the pages of history, and to read the story of the present in the annals of the past. The surest way to cure yourself of the business blues is to take a steady look at the record major depressions from 1837 to date. Ten times during the last ninety years the country has been "ruined." Yet each time it has risen phoenix-like from its ashes and risen to new heights of power and prosperity. All the "hard luck" the country is experiencing it has suffered before; and it has a one hundred percent record for pulling through, not only unimpaired but actually improved. Let us look forward, then, to brighter days—days that are surely coming, bringing with them a prosperity, not only as great as any we have previously welcomed, but far better, because of the more intelligent reception, which we may reasonably be expected to accord it, born of the chastening which was our portion in the days that were dark.

II

AN AIRPLANE VIEW



THE QUICKEST way to apprehend this fact, perhaps,—to get it into our heads and into our hearts—is to glance at the actual history of American business, as shown by an airplane view of the modern period—from 1837 to date. The graphic picture presented is proof without words that the United States can be put down, but cannot be knocked out. It furnishes a practical demonstration, moreover, that we can depend, absolutely, upon the law of action and reaction to bring us through the worst that can befall. Today, therefore, is not the time to let go, but TO HOLD ON. For a man to give up, now, is to emulate the action of a pneumonia patient who cuts his throat after passing the crisis in his illness.

An Airplane View

Next to recklessness at the top of a boom, the most utterly foolish thing in the world in which to indulge, is discouragement at the bottom of a slump.

Except that it does not turn in uniform revolution, business is not unlike a wheel. It is always revolving and very few have the courage necessary to get on at the bottom and off at the top. The vast majority reverse the process—they get on at the top and off at the bottom. But if you will get on at ANY point and HOLD ON, you can make a good living.

Yes, history *is* repeating itself. During 1931 we had bank-closings, dividend-slashings, collapsing stock-markets, slipping commodity-prices, bond-defaultings, breadlines, foreclosures, failures, unemployment and world-chaos. Yet in this whole terrifying program there is not a single new number. Every act has been re-hashed from previous performances; the whole thing is old stuff. There were bank-closings, dividend-slashings, collapsing stock-markets, slipping commodity-prices, bond-defaultings, breadlines, foreclosures, failures, unemploy-

Cheer Up!

ment, aye, and world-chaos in 1837, 1857, 1873, 1893, and 1929-1932.

Threadbare Drama

One would be justified in imagining that, gradually, people would get hardened to this periodic spectacle of disaster and take it more calmly than appears to be the case. Yet every time the old show is put on, the public reacts to it in the same old terrified way. They shiver and groan at each familiar turn, and get excited over threadbare drama that has been played and replayed for more than a hundred years.

The fact can be stated even more strongly. Periods of economic depression are as ancient as the lean years recorded of Biblical times. I have in my possession a chart of economic conditions, based upon the growth of vegetation, that goes back to 1300 B. C. This chart shows that there were periods of depression as far back as the times when oriental kings had to stop erecting temples to goddesses because times were hard. Sisyphus forever pushes his

An Airplane View

stone up the hill of expansion, only to have it roll back, never quite to the bottom, to be sure, but far enough down to scare the public almost out of their wits and entirely out of their holdings.

Why is it, think you, that men and women, become so demoralized by these changes in the so-called business-cycle and yet take the physical seasonal changes so philosophically? The answer is a simple one: it is because people, while able to remember from one year to the next, cannot, apparently, remember from one depression to the next. There is a curious resemblance between depressions and winters. Prior to the advent of the latter comes the splendid weather of early autumn; days in which people are invigorated by their vacations; when harvests are reaped; when the whole setting suggests the attainment of the pinnacle of prosperity. Now if people were as foolish about the seasons as they are about the business-cycles they would argue after this fashion: "This is wonderful weather we are having. I don't see why it can't last for ever. I read in

Cheer Up!

the papers of a fellow who claims that the climate has changed permanently. I'm inclined to think with him. I don't believe we shall ever have another winter."

Acting on this idea, people would observe the attractive harvests and greedily buy equipment and seed and spend much energy and money in replanting crops in the fall. Occasionally, there would come a colder day, but this would be laughed off as a temporary variation. If the next day were a little warmer, they would go ahead with their farming more resolutely than ever. Only when winter actually broke upon them in all its bitter fury—when they were frozen out of their fields—would they be brought to admit that the weather prophet was away out in his predictions, and that the old arrangement of the seasons still held.

The Winter of Discontent

Then, about February, with the winter at its worst, people of this same type would decide that the snow and ice were going to last for ever. Even the warmer days of spring would

An Airplane View

be dismissed as temporary rallies. Only when the time for plowing and planting was long past would such people realize that the winter was over and gone, and with it the opportunities of seedtime. To a person unacquainted with the cycle of the seasons, never do agricultural opportunities look so bright as when the fields were clothed with grain about to be harvested, or agricultural prospects look so dreary as when the empty, snow-spotted areas were emerging in the spring. But we know the exact reverse to be true. The time to harvest is in the fall, the time to sow is in the spring.

The only sound and sensible policy is to regard fundamental business changes as we do seasonal changes, that is, to know and use the principle that history furnishes and repeats. It is true that changes in business conditions are irregular, that depressions are of varying length and intensity. But winters also vary in duration and severity. And when the longer period is taken into account, are the irregularities of the business-cycle much more than the irregularities in the seasons of the year?

Cheer Up!

The real reason why the public does not treat the cycles as sanely as the seasons, is that the memory of the public is short. Neither the average man nor the public at large will pay any attention to the cycles except as they are driven home by bitter personal experience. The direct testimony of those who have experienced the changes, does not count. Each generation thus far has been obliged to learn from experience—that is why depressions come at least once every generation.

Some of the best parallels to the principles which obtain in, and control the economic world are to be found in the every-day examples of common experience. When taking the children to the amusement-park you have doubtless stood and watched the revolutions of the merry-go-round. At first the riders are all strangers to you; then you begin to recognize the familiar groups. There is the fat boy again, and immediately behind him the old man holding the little girl on the galloping steed, and, close up, the young lady and her boy-friend. After a few revolutions of the cycle you can almost

An Airplane View

name, in advance, the familiar tableau that will swing into view. Now while the so-called business-cycle does not revolve at the uniform rate of the merry-go-round, nor the composition of different groups prove so varied, yet the basic principle of both are the same—the repetition of essentially similar phenomena.

You are not misled by the circular pageant of the amusement-park. You do not say: "The riders are all fat boys," or "The riders are all old men and little girls," or "The riders are all engaged couples." No, you realize that the groups passing before your gaze are shifting and repeating and that the only permanent thing is the everlasting transition. The same idea is vividly illustrated by a motion-picture film, arranged as an endless belt.

Human Documents

A still more direct insight into depressions and their temporary character can be obtained from actual correspondence-files covering long stretches of time. A folder of typical letters written during any previous depression, could

Cheer Up!

amazingly be duplicated by a similar folder of typical letters written during 1931-32. Except for variations in dates and names, the heart-throbs of the latest depression would differ in but few essential particulars from the heart-throbs of any depression that have preceded it.

In each group of letters we find the same human documents: the frank confession of the man who was on margin; the sad report of the woman whose husband's business has gone to ruin; the confused clamour of the old and misinformed whose fixed income had turned out to be anything but fixed; the dire problems of the fundless, the jobless and the healthless. Phrase for phrase and word for word, you would hardly be able to distinguish the new correspondence from the old except where the paper had yellowed or crumbled with the passing years. Time changes the texture of the paper on which hearts are poured forth, but not one whit of the problems by which such hearts are twisted and torn.

One almost childishly simple reason why depressions are similar in character is because

An Airplane View

they arise from similar causes. Arthur J. Bean, late financial editor of "The Boston Post," recently published in his columns the following letter written by a New England woolen manufacturer, on the eve of the depression of 1837:

"I regret to learn that the money market is no easier. It will become easier and money will become plenty enough when all fail who ought to fail; and when all the crazy, speculating, reckless and headlong merchants, traders, speculators, etc., who want to become rich without industry and economy shall be made to stop in their careers. The times are out of joint and will continue so until business men are made sensible that fortunes are not to be made in a day. There is a great tendency in all classes to live beyond their means. There is in this country too much of the high-pressure principle."

Concerning the business depression in England, one hundred years ago, Lord Macaulay said:

"The present moment is one of great distress. But how small will that distress appear when we think over the history of the last forty years. If we were to prophesy that, in the year 1930, a population of fifty millions, better fed, clad and lodged than the English of our time,

Cheer Up!

will cover these islands; that machines, constructed on principles yet undiscovered, will be in every house; that there will be no highways but railroads, no travelling but by steam; that our debt, vast as it seems to us, will appear to our great-grandchildren a trifling encumbrance, which might easily be paid off in a year or two—many people would think us insane. We prophesy nothing; but this we say: if any person had told the Parliament which met in perplexity and terror after the crash of 1720 that in 1830 the wealth of England would surpass all their wildest dreams; that the annual revenue would equal the principal of that debt which they considered an intolerable burden; that for one man with £10,000 then living there would be five men with £50,000; that London would be twice as large and twice as populous and that nevertheless the mortality would have diminished to one half what it then was; that the post-office would bring more into the exchequer than the excise and customs had brought in together under Charles the Second; that stage coaches would run from London to York in twenty-four hours; that men would sail without wind and would be beginning to ride without horses—our ancestors would have given as much credit to the prediction as they gave to 'Gulliver's Travels.' Yet, the prediction was then true."

Such is Macaulay's story of some of the depressions of the past.

III

DOWN AND UP



IN ORDER that we may regain our common sense and recapture our courage, let us glance, one by one, at the major depressions which the United States has safely

survived. Moreover, let us especially observe how each stretch of depression has merged into prosperity, like darkness into dawn—with labor again fully employed, markets restored, trade active, and all branches of business thriving as never before!

1837. The previous year had witnessed great prosperity, and the boom carried over in 1837. There had been a frenzy of speculation, and excitement was at high pitch during the first quarter. Then came the turn. Specu-

Cheer Up!

lation collapsed into depression. On every hand business concerns went down in ruin. The spectre of unemployment began to stalk abroad. Before spring had gone the bottom dropped out of the cotton market; commodity prices tumbled; foreign trade was severely curtailed. In March, panic raised its head in the far South, and an even worse crisis developed in New York during the month of May. Specie payments were generally suspended and gold was at high premium. Bank-failures were numbered by the hundreds, and institutions followed one another in their fall like a row of ninepins. A bumper wheat-crop sold at a bottom price and a record cotton-crop was practically given away. Troubles outside the borders of the United States added to the general excitement and confusion. Not until the following year was acute depression succeeded by stagnation which finally yielded to improvement, and even the early stages of the revival were marked by scattering troubles such as dull commodity prices, further failures and continued slump in foreign trade.

Down and Up

Nevertheless, within a decade the country was entered on a period of prosperity that had no previous parallel. The problem was not to find jobs but to find people to fill them. Commodity prices wended their way upward; securities markets rose; once again, the entire American scene was one of courage and confidence.

1857. Although the year started well, conditions became dull during spring and actually depressed in the fall. Falling commodity prices, business men going down in failure, and the disappearance of a very considerable amount of foreign trade marked the early summer. Money suddenly tightened up, and in the month of August the country was swept by panic. Banks, overwhelmed by runs, were crumbling in failure, in the fall. From October to December specie payments were suspended. The stock-market spiraled downward, hitting a new low in October. Simultaneously, the bottom temporarily dropped out of the bond-market. In wheat and cotton

Cheer Up!

there was the same old story of generous crops at ruinous prices.

The depression carried over into the following year and dullness continued. Business concerns closed their doors, commodity prices sagged, building and construction was at a halt and foreign trade severely cut back. Hard times prevailed in England, France, and Germany. Yet, within two years credit conditions improved, business swung back to normal, and with the firming of commodities and securities, the tide of prosperity was once more rolling along.

1873. The year opened with business fairly active, but before the end of the first quarter was reached conditions were very bad. Business men threw up their hands in reorganization, receivership, and bankruptcy. The unemployed dotted the streets. After the second quarter of the year commodity prices cracked wide open. Land-booms exploded on every hand. In September—fateful month!—the Jay Cooke failure broke, railroad specula-

Down and Up

tion went over the edge and the country writhed in panic. Banks and brokerage houses toppled, and for ten days the Stock Exchange was padlocked. Money vanished, and clearing-house certificates alone kept business from stalling completely. Silver was demonetized; railroads were beset with difficulties; England, France, Germany and Austria together with the United States were beset with bad conditions on every hand.

Yet this situation, tough as it was, could not last forever. The long stretch of lean years passed into history; business came back; railroads and real estate again began to boom; foreign trade revived and flourished. The country was again riding the crest of the wave!

1893. At the beginning of the year, the general drift was downward. The movement commenced slowly, but gathered momentum as business enterprises began to go on the rocks and railroads to fall into receiverships. Commodity prices made a last stand during the spring but were swept down in the general

Cheer Up!

landslide. Once again May proved to be a month of panic; but the most severe crisis came in August, together with the repeal of the Silver Purchase Act. Stock prices pitched downward, industrials in particular hitting abysmal depths. The bond-market collapsed during the summer, recovering but slightly before the year closed. Once America's stage was set for a period of dismal depression. The more complete records available for this year show that, in addition to the United States, at least fifteen other countries were in serious trouble.

Nevertheless, the country managed to survive. Finally the sun of prosperity broke through the economic clouds. Exports soared; concerns were hiring instead of firing; people, everywhere, were talking of positions and promotions; big business men were planning combinations. The bad times had gone and industry once again was in full blast which continued for another generation;—in fact great prosperity marked the opening of this new era, the only threatening feature being the

Down and Up

temporary collapse in 1907 due to excessive stock market speculation.

1913. Business conditions sagged from bad to worse throughout the first half of 1913. Unemployment again swept the country with its scourge; and new failures loomed blackly in the headlines of daily newspapers. Like a signal light suddenly turning red, active warning was given to the country in the form of a crack in stock-prices. A sharper break occurred later. Few observers, however, would have predicted the terrific upheaval that followed. Business was completely paralyzed; banks, caught in the maelstrom, were forced to suspend payments. Security prices swept downward, both bond- and stock-markets. Commodity prices, which had been rising through 1912, dropped sharply during 1913 and 1914 while the world as a whole was widely swept by depression. When war was declared in Europe, at the beginning of August, the American securities markets, already weak, crashed completely into chaos. Exchanges were closed

Cheer Up!

from July to December. The United States, declaring its position of neutrality, halted all immigration and prepared to watch, if to not participate actively, in the European upheaval. Orders for war materials poured in and abruptly business indicators changed for the better.

Seldom, if ever, has a more dramatic exhibition of how the United States can spring from the depths of dullness to the heights of activity been furnished as was now made apparent. Scarcely a year elapsed before unemployment vanished utterly in the feverish manufacture of war materials. Great trade activity and expansion soared upward to an unprecedented peak. It became evident that the country is proof against even the cataclysm of world war.

For the first time since the Great War, a temporary depression spread itself over the country in 1921 and few were fortunate enough to escape its meshes. Industrial conditions, slackened to the point of worry, resulted in some unemployment and wage cuts of short duration. Trusted and valued employees, who had given years of service,

Down and Up

found themselves suddenly hunting for temporary work when there was none to be had. The crisis was reached in the summer, when business seemed at a complete standstill; but the trouble lasted only a very short time. Commodity prices fell abruptly but this was only natural as war prices could not continue. The summer stock market saw both rails and industrials declining through to new lows during the second quarter and early third quarter of the year. Trouble reigned in almost every country but no more than usual. Certainly the outlook was far from bright at midsummer in 1921, and only a student of history could have dared to anticipate the period of prosperity that, even then, was being incubated.

What happened, however, when the shades of 1921 lifted? The country rose to peaks of prosperity which astounded everybody—even the students of history. Industry, trade, and finance expanded beyond the dreams of optimism; and with them rose invention and discovery, employment, incomes and standards of living. A crowning proof was set on the

Cheer Up!

fundamental truth that the United States is bigger than any depression known to economics. After a century of the severest testing conceivable the country was lifted to a veritable apex of prosperity.

IV

LESSONS TO LEARN



FROM THESE annals of past business cycles, two remarkable and inspiring lessons can be learned: first, all depressions are essentially similar; second, never once has the United States failed to recover from "all the dull, deadening pain, all the keen, maddening anguish"—to rise from desolation to new reaches of prosperity.

Therefore, what do the lessons of history predict in the years that lie ahead? They predict people busily employed—full-time and overtime. They predict factories and industrial facilities operating at capacity and expanding to meet unprecedented demands.

Cheer Up!

They foresee stores crowded with customers endowed with unprecedented purchasing power. As yet it is only a forecast; but one which rests squarely on the solid facts of the recorded past.

There are two classes of people who especially suffer from the delusion of depression: first, there are the young and green—the economic tenderfeet—who imagine the end of the world to be at hand because this is their first experience of adverse circumstances. More than a year ago, after I had addressed a gathering in New York City, a young man came to me with this question: "What is a bear-market like—what, exactly, happens in a business depression?" It was an entirely ingenuous inquiry—one sincerely asked—and served to remind me that there were countless young people in the world who had never, in any practical way, participated in any financial panic or business depression. The query set me seriously to thinking, and to the end that I laid out and published a dozen typical steps in progress of a bear-market, and so true to form do bear-markets and business depressions run that

Lessons to Learn

virtually the entire set of symptoms I outlined has worked out almost to the very letter.

Secondly, there are the more informed and intelligent people who know better but succumb to public sentiment. These men and women know perfectly well that, theoretically, "the average man learns only from his own experience while the wise man learns from the experiences of others," yet they permit themselves to become the prey of mob psychology. Although history teaches them to hope for the best, yet present-day influences lead them to fear the worst.

The people who, in 1929, learned that all that glitters is not gold, are now forced to admit that all that crinkles is not crape. The green-horns and the susceptibles should particularly read and heed the lessons of history. The program of dreadfulness upon which they have recently been gazing in pop-eyed panic is the same show that periodically has been confronting the world since time began. No generation has been exempt, no nation immune. In the spirit of the imperturbable rajah,

Cheer Up!

we can say of every depression: "This too has passed."

Specifically, then, if this view of things be taken, the recent situation will be seen to be a generator of opportunities. The foundation of a fortune is never laid in the blue skies of booms but in the hard pan of depression. In a market-slump there are some sound stocks which sell at low prices such as never will be reached again; in a depression, commodities sag to unbelievable figures and, usually, it is many years before such quotations are repeated. Most families relax their purse-strings and load up with all kinds of household gear and trinkets in the days of a boom; with everything at top prices, they build homes and expand generally. But the intelligent, wisely heeding family builds and buys during a depression, providing itself with equipment and laying in supplies when it can buy at bottom figures.

Financial Advice

The time to do the best advertising is during a depression; it is the time to accumulate

Lessons to Learn

physical wealth; it is the time to build moral character. Almost every kind of laudable personal and business plan should be expanded and perfected in hard times. In September, 1929, when nearly everybody was walking on air, with his head in the clouds, it was the part of a common-sense gesture to get down to earth. *But, today is no time for hanging heads and lagging feet. It is an hour for courage, confidence and conquest.*

I unqualifiedly disapprove of gambling, on ethical grounds and because it is a losing proposition. But intelligent speculation is a different matter. People of independent means and without obligations, who, financially, are in a position to speculate, can better afford to speculate in a period of depression than in a period of inflation. If a man is going to risk his shirt, he takes less chance on a cold day in spring than on a hot day in fall: in the spring, summer lies ahead of him and time is with him; in the fall, winter is immediately before him and time against him.

Just here, I have a word to say to the wives

Cheer Up!

who, less than two years ago, were prodding their husbands to play the market, to take chances in business, to get, while the getting was good. Do not forget that your acquiescences and folly helped to push your husband over the edge, and that the present hard times furnishes you with an opportunity to redeem yourself by helping him to keep up the courage and energy to rebuild. You helped to render him ambitious and overreaching at a time when he should have been cautious and conservative, and now is the hour to rectify your mistake and his by an enthusiastic, energetic activity, a stout heart and a word of good cheer. In the days that are coming opportunities to recuperate and recover will be afforded your husband, days in which you will be able to share with fuller zest, because you "clamb the hill theigither."

Farm Relief Plus

It is always darkest just before the dawn. Or, to make another comparison, when a football team is being pushed towards its own

Lessons to Learn

goal-line its resistance stiffens. To again change the metaphor, take a coiled spring. The more it is compressed the greater becomes its potential snap-back. Similarly with economics; business can be compressed and depressed, yet each added compression and depression only increases the power of latent recoil. The page of history shows that the limit of elasticity has never yet been reached; never has business been so distorted as to be unable to "come back."

No forecast of prosperity made in bygone days proved comprehensive enough to include all the stupendous things the future held in store. The forward thrusting genius of a Macaulay could foresee the development of railroads, but he had no vision of the possibilities of highway traffic by automobile.

According to a press interview, O. B. Hanson, radio engineer of the National Broadcasting Company, declares it to be within the bounds of scientific conception that a tube could be developed which would recover light beams of bygone days. In other words, it is conceivable

Cheer Up!

that engineers will, one day, be able to capture the light-waves of the past, and re-create for us the burning of Rome, the sacking of Troy, and other great spectacles of the ancient world. One of the most valuable services such an invention would render would be to furnish dramatic proof that history is repeating itself. If this recovery of an apparently dead past were an already accomplished fact, we should now be watching the resurrected movies of every year from 1837 to date, and we should be greatly cheered and encouraged by the spectacle. We should realize that the only new thing about the present depression is its date. And we should see that prosperity, like history, not merely repeats itself, but repeats on an ever-expanding scale.

By studying history we not only gain courage and fortitude to bear our troubles, but we are shown the way out of them. The annals of the past plainly tell us that to cure depression we need something more than farm-relief. Though agricultural recovery is vital, yet the cities as well as the farming communities need to be

Lessons to Learn

helped. I was brought up in a farming community, and the best interests of our rural population is very dear to my heart. Yet my special appeal to Congress at this time is to consider some measure of relief for clerks, office-employees and other urban groups of workers.

If Congress wishes to restore business it must not limit its thought exclusively to farmers and road-builders. The need of the hour is to get money circulated and that is best effected by getting goods moving. But before the railroads have goods to move, industries must start up, retailers must order merchandise, office clerks, mechanics and store-help must buy.

Where are prospective buyers?

A study of the purchasing power of this country will show its centre to be, not in Nebraska, Iowa or Minnesota or the Central West, but in New England, New York, Pennsylvania, and the East. The greater part of America's purchasing power is in the great cities—New York, Chicago, Detroit, St. Louis, Philadelphia, and the office-clerks, mechanics

Cheer Up!

and store-employees of these great cities determine the extent of America's purchasing power. And there will be no real revival of business until these workers are once more busy and happy in their work.

It rejoices me that Congress aims to help the farmers of the West and South, but my special appeal, just now, is that Congress should not forget the unemployed of New York and other cities of the East. In order to help the unemployed of these cities—to help them effectively—we should not ask for appropriations, but for a decent tariff, a revision of the anti-trust law, fair treatment of the utilities, a dictator to put through railroad consolidations, and other constructive legislation. Whatever the Senate of the United States may think or say of financial centres, the fact stands like stone that any permanent business revival **MUST START IN NEW YORK CITY, AND PRETTY NEAR WALL STREET.**

The symptom of modern depressions is over-production. There are goods enough and to spare, but they fail to move from the distressed

Lessons to Learn

manufacturer who has lost his markets, to the distressed consumer who has lost his job. Technical factors such as tariffs and monetary systems do not wholly explain depressions, because depressions come and go whether under high tariff or low tariff, and no matter what the character of monetary systems. The underlying cause of depression is a curtailment of buying power which breaks down business, thus causing unemployment, a still further diminution of buying power and still poorer business. This vicious circle whirls us to the bottom and the only way upward is by the reverse circle of more buying power, more employment, more business.

Cut-Price Values

It is one of the outstanding tragedies of depression, that producers are crushed by carrying the very goods for which consumers are starving. Manufacturers and merchants have piles of goods they cannot sell, while consumption declines, not because of any lessened craving or need for the goods, but

Cheer Up!

because purchasers regard prices as being too high, or have decreased buying ability, or are fearful and unwilling to spend.

But what decreased purchasing power? Pay-roll to workers of all sorts is the basis of "effective demand." That is, a person's ability to buy in distinction from his mere desire to buy. To buy, money is necessary; to get money, men must work and be paid. Money is the counter or chip; it is a receipt for labour. When finished goods cannot be sold it is no longer profitable to apply labour to raw materials. Industrial unemployment then sets in, and spreads back through the basic industries. Lessened incomes mean decreased buying power, which, in turn, still further reduces manufacturing activity and increases unemployment all along the line.

Unemployment upsets the balance proper to production and consumption, and is a major and fundamental factor in business depressions. We shall never acquire a thorough understanding of depression nor find a cure therefor until we grasp the full significance of the

Lessons to Learn

following fact: from eight o'clock in the morning until five in the afternoon most people are employees, but that from five o'clock to eight they are customers. A very large part of our economic troubles is due to the mistaken idea current among business-men that one can shoot an employee without killing a customer.

In order to utilize human labour, retail prices of commodities, securities and wages must drop to a point where people will be tempted to buy; or, new industries must be created and new desires developed. The buying of merchandise starts up new factories, the buying of securities starts new building and other enterprises. Hence, lower prices and even lower wages may be necessary to restore employment. *Every time a retailer marks down the price of any article he is bringing the next period of prosperity a little nearer.*

The Value of Faith

Every time a wage-earner puts increased efficiency, interest and carefulness into his or her day's work, the return of prosperity is

Cheer Up!

hastened. Every newly-developed idea creates new desires, new demands, and brings back prosperity. An excess of invention to eliminate labour tends to hasten business decline; an equal number of inventions aimed to create new industries will bring back prosperity.

A new generation—too young to enter the World War—now possesses the labour-markets of every country; the rehabilitation work has largely been completed; and owing to the reluctance of investors to buy new bonds, no money is available for new work. Hence, many people are unemployed, without money and minus the knowledge of where to get it.

Unlike previous generations, a large percentage of the people, now unemployed or losing money in business, have no faith to sustain them in an hour of dire need. The ancient evils of depression are attacking upon a new generation, weakened by a loss of the faith that was their fathers, just as an old disease ravages a race which lacks the physical resistance of their ancestors. While fully employed or busy making money, this younger

Lessons to Learn

generation did nothing to store up spiritual reserves and hence has none on which to draw now that employment and profits have vanished into thin air.

Small wonder that great masses of people are deeply discouraged not knowing which way to turn. The material wealth on which they depended has gone, and of spiritual wealth they have none. Tired out physically and barren spiritually, they are beginning to learn something of the value of faith much as a sick man appreciates the value of health, when it has slipped from his grasp.

As a parting thought let us remember that in 1929 the uninformed and careless-minded were declaring another depression to be impossible simply because we had entered a new era of prosperity. These people are now saying that we are in a new era of adversity, with standards of living at permanently lower levels; with science, invention and discovery halted in their tracks; with the American people playing the part of poltroons, instead of pioneers. When

Cheer Up!

you hear such idle talk, turn aside from it as being the chatter of ignorance and of cowardice. What we are witnessing is not a new era but an old error. Delusions come and go, but the law of action and reaction goes on for ever. And because they do my last word shall be—CHEER UP! THERE ARE BETTER TIMES AHEAD!

EPILOGUE

EVEN though recognizing that prosperity will return, people are still asking two questions, viz:

1. "What can we do to hasten the return of prosperity?"

2. "Can we survive until prosperity returns?"

The answer to the first question is that every reader can do much to hasten the return of prosperity by taking time to study the various constructive plans designed to accomplish this result. This study should then be followed up by actively getting behind the plan, which seems most practical. One trouble today is that we business men are so imbued with our own difficulties that we forget the other fellow's troubles. Yet the fact is that we can save ourselves only through getting the unemployed back to work.

The answer to the second question depends upon how quickly we others do take such a serious interest in the solution of the problem. This means that the answer to the second question depends upon the answer to the first

Epilogue

question. The necessary deflation in commodities, securities, wages, and most other lines has taken place. All that is needed today is a determination to live rightly, deal justly and have faith in the Eternal Spirit. This can come about now at any time, but it requires an active effort on the part of all.

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