

CHAPTER V

Consumption, Spending, and Waste

THE FOLLY OF SPENDING TO "KEEP MONEY IN CIRCULATION"—
OF SOME ADVERTISING AND THE GOVERNMENTAL INTERFERENCE.

The ultimate purpose of production is consumption, to meet needs and desires, but this is not to be confused with destruction and waste.

Waste is often rooted in greed and indifference, but a great factor is government. Constantly seeking its own aggrandizement it stops at nothing but by corruption builds up a vast bureaucracy. Ever expanding, it forgets its primary function of protecting its citizenry and extorts and squanders a constantly growing part of the earnings of labor. Were this money spent by those who earn it, and who have an appreciation of its cost in life and labor, it would be used wisely, but the objectives of excessive government are worse than worthless. It goes for doles to corrupt our people and destroy self-respect, for useless irrigation and to take out of production land already tillable, for foodstuffs to be destroyed, and to pay out billions for useless projects in many lands, for dams in Iran and Afghanistan and for monumental follies which bring us into contempt.

These are the wastes which call to us—wastes totally unnecessary, promoting evil and ill-will and no good purpose.

—ANONYMOUS

HAVING considered the production of wealth, it is time to turn to the other side of the ledger and give attention to its use, consumption and waste. Much wealth is consumed as fast as produced, for use and not accumulation is our final goal. Man raises crops and milks cows and mines coal that he may be fed, warmed and clad. Just as the worth of money lies in its exchange for wealth, so the real worth of wealth is in its use. It is axiomatic that waste and destruction of wealth, or its profitless use, lead only to impoverishment. Waste can make work but it produces nothing and therefore cannot create wages.

But such follies as the ball already mentioned are defended because "they put money in circulation." Perhaps some will say that the rich fool might better have spent his money in saner ways; but that, had he not spent it as he did, it would not have been spent at all but would have lain idle in the bank. This argument has little more to commend it than the first, for in anything like normal times, money does not lie idle; it is just a question of how it shall be spent.

There are three ways in which we can employ our funds; we

may hoard, we may spend, or we may lend to others. Now, forget all about the first use, if use it can be called, for unless we are misers, we hoard money, barring only the small amount which serves as a balance-wheel to stabilize income and outgo, only under unfortunate conditions or when unstable, dishonest and oppressive government threatens safety of capital. We spend to meet daily needs, for bread and butter, for fuel, for clothes, *or to acquire capital to earn interest and to make the future more secure.*

Our third choice is to lend, but this simply means that we turn it over to others to spend, reserving to ourselves the right to re-collect it when we need it. As we shall see when we come to the chapter on banking, this is the way that the surplus of those who are beyond the level of the mere hand-to-mouth subsistence is used when deposited in a bank. The bank does with it just what we might have done; they spend it for capital to earn interest or they lend it to someone for such use, the borrower paying the bank a part of the interest which it enables him to earn.

In any society which goes beyond the most primitive, where each man earns his wage in meeting the day's needs, wages of hired labor are in the long run generally determined, just as are the prices of commodities, by the law of demand and supply. Therefore, the unwise employment of labor, diverting it to profitless fields, increases the cost of producing necessities and adds to the difficulty of meeting essential needs. Especially must such waste react on the poor and bring hardship on those closest to the margin of self-support.

To draw a hard and fast line between what is profitable and what is profitless—between "well-th" and "ill-th"—is impossible; but don't make the mistake of reckoning only in material terms, for some of the things that are not Caesar's far transcend in real worth material possessions. We must not despise spiritual things which may be as truly productive of a more abundant life as things made in factories or raised on farms. Art, recreation, wise amusement, culture, and a thousand things which distinguish man from the brutes are of superlative worth.

In considering the question of waste, just as in trading, we must not lose sight of the interests of all, in seeing only the interests of the individual. A man may give away or dissipate his fortune to his own impoverishment; but, if others gain what he has lost, our common wealth is not affected. It is with absolute loss and waste that we are now concerned and not with mere changes of ownership.

The greatest cause of waste is war. To take a single example, consider the Korean fiasco. For years we were engaged in that struggle, and in it we spent many billions of dollars, sacrificed the lives of thousands of young men, and slaughtered many more of those of other lands, and we have made a shambles of Korea. What has been accomplished? The status of affairs is much what it was when we began, and we have neither pacified the country nor conquered anyone. We have not made friends or ironed out bad feeling, nor have we settled anything. Possibly we could have taught a lesson to aggressors, and we might have checked the expansion of communism, had we brought the war to a speedy conclusion, as both General Van Fleet and General MacArthur say would have been possible; but even if this had been achieved, would it have been worth the price?

Beyond these more spectacular wastes by government, consider some minor and less evident wastes. We have spent, through the federal government and many states and cities, billions for "public" housing. It has been done extravagantly, wastefully, and often partaken of "Jerry-building." It has been paid for largely by the taxpayers, and most of it pays no taxes and competes unfairly with private enterprise—in fact some expert authorities maintain that "public" housing has accomplished absolutely nothing because it has so competed with private enterprise that it has simply displaced it and not supplemented it. It has resulted, they say, in the erection of poor and unsatisfactory housing paid for by the taxpayers and operated at a loss, instead of the right kind of housing, sensibly planned and erected as a profitable business venture. Consider Arthurdale, the Quoddy project, or Saint Mary's project in Albany, already condemned and dismantled. Had we been wise enough to grant full and permanent tax exemption to similar housing projects in private industry, taxing only the land values, we would have accomplished far more, with no political meddling, on a profitable basis yielding a good return in land value taxation.

A glaring instance of waste is found in our agricultural program. Boiled down to its simplest terms, what is this scheme? The argument is that agriculture is the great basic productive industry upon which everything depends. It is said, with truth, that the farmer faces difficulties against which he is powerless. He is at the mercy of the weather, the outcome of his life and labor hanging on questions of frosts, temperatures, rainfall, and winds. He must contend with plant pests, diseases and insects which frequently are practically beyond control. It is also said

that business often benefits greatly by privilege, subsidies, tariffs, exclusive franchises, and other advantages.

Even if conditions are all favorable, which they never are, in a business way the farmer often has difficulties. The manufacturer can close down if business is bad, often without great loss, but the farmer cannot ask his cow to hold up her milk, nor his hens to let their eggs accumulate unlaidd, until prices rise. His cabbages and apples ripen in their own good time or not at all, and generally it is impossible to hold them over very long until the market improves. The high costs of holding them, even if they can be held, is a great obstacle, often involving refrigeration or pasteurization and special handling quite different from storing pig iron. Furthermore, the farmer generally cannot afford to wait to get his money back, for he operates on too small a margin. Often he has no choice in the market where he sells. The difficulty of following fluctuating markets in various cities and keeping informed of conditions and demands prevents him from shopping around, for meanwhile his crop spoils. For these reasons it is assumed that the farmer is entitled to special consideration and protection.

Our aim, in general terms, is to guarantee the farmer fair prices for his crops; and that means that prices for agricultural commodities will be artificially held to a "parity," or a "ninety-percent parity," with other prices, meaning that when agricultural prices fall below these set levels, as compared with the general price level, the government will step in and pay him the difference.

It looks reasonable and just, but let's look at the other side of the picture. It is obvious that to determine what should be the prices of agricultural products is difficult. We will say something later about statistics, government figures and estimates of national income, so here it is sufficient to say that these figures are uncertain, shadowy things, and it is hard to arrive at any just conclusion.

Another objection is that many feel that the farmer should stand on his own feet and face the difficulties and uncertainties of life just as must the rest of us. True, he is at the mercy of factors which are uncontrollable, but this is often true of the business man also. He often suffers similarly, and yet no one proposes to compensate him for his losses. Is it fair to tax him so that one favored class may be protected from risks that others take? Think of the countless changes in our business life and the

way that new developments often wreck old and well-established industries.

What happened to carriage and wagon builders, harness-makers, horse-shoers and livery stables with the advent of the motor car?

What about the trolley cars and the owners of the trolley lines? Have we compensated the builders of trolley cars and the owners of the trolley lines? Have we helped them in financing the buses which displace the trolleys?

How about the makers of gas-lighting equipment, the Welsbach light and kerosene lamps? Haven't they suffered with the advent of electricity?

What is the outlook for many of the fibre and textile industries—wool, cotton, silk—with the development of plastics? Should we compensate them? Should we make the manufacturers of plastics pay a bonus to those whom they put out of business?

What of the builders of the old-fashioned icebox, of the coal or wood parlor stoves, or of "bowl-and-pitcher" toilet facilities? The writer recalls staying at a downtown hotel in New York City during college days of long ago. From the hotel window he counted nineteen signs of manufacturers of "Teddy Bears" when that "animal" was at its height of popularity. A few years later, when the novelty wore off, there was not one such sign to be seen, but did the government buy up the "over-production" of Teddy Bears when the demand collapsed? Do you suppose that, when Mah-jong waned in popularity, the makers of the sets were compensated? Looking at these examples, why should we protect the farmers from similar slumps or the vagaries of their markets?

Our farm program is that the federal government buy up agricultural crops coming on the market when prices fall below a certain point, and continue such buying, until the resulting shortage causes prices to rise to what is considered normal. It is essentially a scheme of price-fixing, open to all the objections which will be considered when we come to that subject. Primarily it is contrary to a natural and inescapable law. If the farmer can be assured of a high price for his crop even when he over-produces, he will continue to over-produce, and the problem of price support will become aggravated rather than relieved. Let prices fall, let producers suffer a loss if need be, and then production will be cut with some hope of effecting a proper balance between supply and demand.

Sometimes an attempt is made to yoke control of production

with this program, restricting the acreage to be planted or the crop which can be harvested on each farm. The best answer to this was given by Jefferson long ago: "Were we directed from Washington when to sow and when to reap, we should soon want bread." Even Secretary of Agriculture Wallace saw the difficulty of "compulsory control of marketing, licensing of plowed lands, the base and surplus quotas for every farmer, for every product, for every month . . . Every plowed field will have its permit sticking up on its post." Such cumbrous machinery, political control and constant intervention by bureaucrats will be intolerable to the farmer and he will be far better off taking his chances.

There are some practical details which must not be overlooked. There is first an unreckoned-with but very vital consideration, the question of politics, and corruption plays a great part in such programs. The vote of the "farm states" is uncertain and often a deciding factor in national elections, and frequently they switch from one column to the other. Few politicians can be unmindful of the fluctuations in the vote of these states, and both political parties are equally guilty of bidding against each other for the farm vote.

But there is another side of this question of politics, the interests of the consumer. Combined with the influence of inflation, this program has raised the price of food to a point now disastrous to many and dangerous to some, for it has brought real hardship.

We spend these billions, extorted from the taxpayers, to subsidize not farming for food but *Farming for Famine*, as Colonel E. P. Prentice aptly entitles a book describing it; for the food produced is often not used for food but is destroyed, and the quantity wasted and destroyed is appalling. Hundreds of thousands of tons of potatoes destroyed or left to rot while people go hungry, ditches filled with oranges to spoil while children grow up undernourished and rickety for lack of vitamins, hundreds of thousands of crates of eggs and hundreds of tons of butter just spoiling while we use dried eggs and egg substitutes and substitutes for butter.

Why do we continue to tolerate such a program spending billions in a year to grant special subsidies to one favored class of people, representing about one-sixth of the total? Why do we tolerate this increase in the cost of living, the hardship which it works on many, and the impairment of our health?

Even politicians might perhaps see the light, for some of the

most important agricultural groups have gone on record as opposed to the whole scheme. Self-reliant, self-respecting men, the kind of farmers who settled our country and made it great, have gone on record as opposing subsidies, babying, regulation, or interference. They want to live their own lives and take care of themselves and they ask no odds or favors of anyone.

As always, there are of course some farmers, just as there are men of every class, who want to get something for nothing, and they are the most vocal ones; but why our city people, and notably the city women who outnumber the farm women by three to one, continue to tolerate a program which keeps them and their children poor and hungry, we cannot imagine. Probably the explanation lies in lethargy, ignorance, or lack of leadership. We believe consumers would have things in their own hands and could get rid of the whole iniquitous program. Its abandonment would get rid of many corrupting influences and a dangerous increase of public debt with consequent inflation. It would hold prices down and give us a healthier, happier, and better-fed people.

Unfortunately, waste is often entailed by our economic and industrial life, for it is frankly competitive and competition may mean waste. But again a word of caution: do not take this statement as a condemnation of our social structure but only of some of its features. We give no endorsement to panaceas which, seeking to cure some evils, would bring others far worse in their train. More will be said on the programs of socialism, communism, fascism, economic planning and the like, which, in seeking a cure for the excesses of competition, would fetter freedom, self-reliance, ambition, and progress, as a price for remedying lesser evils.

Much advertising is wasteful. An examination of a great newspaper discloses eight advertisements of liquor, four of cigarettes and three of soft drinks. Probably all this advertising has little or no effect in increasing total consumption or production of the wealth featured. The only result is to keep trade-names before the public and to induce the consumer to choose one brand in preference to another; what one advertiser gains another loses, and the cost finally comes out of the purchasers and restricts total sales. Surely, whatever may be our personal habits, there can be little advantage to our common life in increasing the consumption of such commodities, when induced, not by desire but by high-pressure and often misleading advertising.

Similar examples of wasteful advertising could be multiplied indefinitely, and it would be good exercise for the reader to study the advertising pages of any newspaper or magazine and determine for himself what percentage serves a useful purpose and how much is the competitive shouting of one manufacturer against another. Even in the advertising of automobiles, probably three-quarters of it is designed, not to sell cars or to inform prospective purchasers, but to persuade them to buy this car instead of that.

But this is not to decry advertising nor to condemn that forced on an advertiser by competitors; we call attention only to the waste which it sometimes involves, waste which must be reflected in higher cost of living. Much advertising is truly productive, in furthering distribution, and serves a very useful purpose. The advertising of retail stores is often informative and is eagerly read, and the advertising of many a new product or new process has a real economic value. Classified advertising is quite as useful as the services of employment agencies or real estate brokers, and book advertising may be of much service.

Our whole industrial life is rife with conditions which entail waste. Drive along any important highway and note the number of gasoline stations; probably our needs could be met by a quarter of the number, for it is the competitive urge to market one particular brand and not the needs of the public which leads to their establishment. A study of milk distribution in one great city showed that consumers could be supplied by one-third the number of distributors, for many cover the same routes to serve only a few customers.

Some of this competitive waste is unavoidable, if we are to have the freedom essential to real liberty, but often wasteful operations are forced upon us by an excess of zeal in curbing "monopoly." We lack the wisdom to abolish evils without sacrificing much that is good. In the case of overlapping milk routes it was held illegal for dealers to agree on a rational plan of districting the city, which, however it might have profited dealers, would have meant lower prices, increased consumption, and probably some lives saved, and we are told that the obstacle which keeps the oil companies from getting together to stop the senseless competition in advertising is anti-trust regulations to prevent "conspiracies in restraint of trade." In manufacturing there is the same wasteful competition, again often engendered by "anti-trust" legislation, and the high rate of failures among city stores witnesses to wasteful competition in retailing.

But not all the waste is due to our economic system. We must always contend with the weakness of human nature and with political factors. Politically and officially we do much to impoverish ourselves, sometimes deliberately as in the limitation imposed on agricultural production, sometimes through ignorance as instanced by public work projects already cited, and often through general inefficiency and the unworthy motive of gaining votes by yielding to pressure for foolish undertakings.

Generally, where government enters the field of business, and often in legitimate governmental fields, wastefulness, inefficiency and corruption thrive. The explanation lies in the fact that there is little incentive to wise management, for the profit motive and the watchful eye of interested associates and owners is lacking. Worthy ambition is displaced by the desire to secure political patronage, to make jobs and to win votes, and the voters of the country, by and large, are singularly blind to what goes on, provided they get what they themselves desire.

This weakness is common to all parties, all administrations, and all factions; it is inherent in our form of government and it is the fundamental weakness of socialism. For it the voters have only themselves to blame, and it seems as if many, who are ordinarily decent and honest, fall to the temptation to try to get "something for nothing" for themselves, for their constituents and for their community.

There are countless governmental undertakings which represent tremendous waste. Consider the avalanche of printed matter being ground out by government agencies, costing millions and worth very little. Within a month the writer, who does no farming, has received two copies of a large-paged twelve-page booklet regarding the Income Tax law as it applies to farm incomes, of not the slightest use or interest to him; and many suburbanite friends, who also do no farming, received the same generous treatment. Of course it all goes under a government frank: one wonders if such stuff would be quite as recklessly printed and distributed, if each department of the government had to pay its own postal bills out of its appropriation.

Governmental operations are often characterized by conflict of purpose and by uncertain and questionable aims. One governmental bureau issues publications showing lumber interests how they may increase their markets by finding new uses for lumber; another, looking toward conservation of our forests, advocates substitutes for lumber. We make no attempt to pass on the wisdom of this or that but we do find waste in one department

of government spending our money to counteract what another does. Might it not be wiser if the government minded its own business of governing?

Illustrative of this we note two outstanding pieces governmental folly. We are paying farmers to withdraw land from cultivation, to prevent excessive production from breaking prices; and, at the same time, we are installing in connection with the Grand Coulee dam, twelve huge pumps each with capacity said to be sufficient to provide New York City with its entire water supply, in order to irrigate and bring into productive use a million acres of arid land.

This is an instance of the way in which governmental operations are characterized by conflict of purpose. The folly of reckless and costly expansion of agricultural acreage, brought into direct competition with established farming, has long been evident. The writer recalls the part played by his father in opposing schemes of premature irrigation more than half a century ago, for even at that time there was excessive production, and wheat and corn were sometimes burned as fuel on western farms. It was apparent even then that there was danger of jeopardizing the welfare of agricultural interests by artificially stimulating agricultural operations, and now we see the trouble in which such policies involve us.

There is no sense in spending billions in bringing more land under cultivation, and, at the same time, spending further billions to take out of cultivation many acres now in use. We do not argue either side but we do maintain that these conflicting policies cannot both be wise. The great mistake is in thinking that problems of this nature can better be solved by politicians and bureaucrats than by those directly concerned.

QUESTIONS

Why do we want wealth? Is consumption and use our ultimate purpose?

Why do we sometimes hoard money?

Why do we spend it?

If we save and invest in capital do we take money out of circulation?

If we lend to others what do they generally do with the money?

What would you say of a political policy of taking money from some to give to favored groups?

Should the government subordinate justice to charity?

Should favored groups, the farmers for instance, be insured against the hazards of changing times which other groups must face?

May a program like farm price support practically amount to subsidizing production and encourage production in excess of need?

Is it wise to spend the money of the taxpayers to pay farmers to take land out of cultivation, and, at the same time, to irrigate and bring into cultivation more land?

Which group shows the higher standard of business efficiency and integrity, industrial leaders or politicians?