

Toward Abolishing Poverty

THE boom philosophy has so infected our business thinking that it is uncommon to find anyone discussing business affairs except in terms of prosperity and depression. It seems to be impossible to think of business except as in one or the other of these extremes. People seem to feel that business must attain increasingly high pressure, or something is wrong. It is not so when they discuss their water supply. It is a good water system that supplies the community's need for water in the quantity and at the time the water is required. We don't talk about boom and depression there. Continuous and sufficient supply is enough. And what is business but a supply of other commodities—none of them to be compared in vital importance with water? Our work of supplying the needs of the world very often does not get done, because attention is distracted by our philosophy of booms and depressions.

One of these days I hope the politicians will cease making capital out of business conditions. They will not cease doing so, however, until the leaders of business cease trying to gain what they imagine to be business advantages through the aid of politicians. It does not make much difference whether the politicians paint the picture so rosily as to induce people to believe that they can gain their living without work or whether they paint it so darkly as to induce people to believe that there is no use working. The net result is the same—the minds of the workers are taken off the real task.

When the boom spirit is on, people are led into extravagance, and then into debt, and then into gambling, in the hope of somehow getting money to release them from the economic predicament brought on by extravagance and debt. When the reaction comes the expenditures go as far below the normal line of need as they went above it during the boom. And so it comes about that the business of this country has had very little experience with anything in the nature of normal progressive consumption.

That is worth considering. It is quite clear on looking back that we have had sufficient experience with extravagance, debt and speculation. But more is clear than we like to confess—namely, that the people had to be initiated into the degrees of economic error; the doors had to be thrown open and inducements to enter had to be offered; and the whole movement took place under the auspices of American business. The people can be no more extravagant than business induces them to be; they can go no farther into debt than business permits them to go; they can gamble only when business—or something that passes under that name—provides the opportunity. Let that be candidly and seriously considered, and then let us ask if this great power of business for social education and social leadership cannot be used to build up a system of normal, continuous and progressive supply and consumption, which will replace the periodically collapsing system under which we have been working. We cannot blame the times; the times have causes. We cannot forever discuss prosperity and depression; these things are symptoms and our usual kind of prosperity is not even a good symptom.

Word-of-Mouth Prosperity

A NEED implies the supplying of a deficiency. A nation's needs are determined by the nation's civilization. The needs in America are great because America is, in a material sense, highly civilized. And as a nation ascends the ladder of material civilization its needs increase.

The matter of individual needs must be left to the individual. It is for him to determine just what constitutes a necessity for himself. His reckoning must be based on his logical ability to pay, on the use to which he will put the article, and on whether that use is a matter of the present or the future.

When people are led to buy things they do not need and cannot afford, an artificial prosperity is created. Purchasing beyond ability to pay and beyond the need to use brings about the exchange of nonessential goods in great volume and a dangerous expansion of debt. When the natural reaction arrives people become panicky. Those who have been buying beyond their limits swing far below the line of common sense and refuse to buy even ordinary essentials. This sudden withdrawal of purchasing power affects all classes of industry. There can be only one result: Business becomes

By Henry Ford and Samuel Crowther

ILLUSTRATED BY WYNIE KING

stagnant, factories are closed, men are thrown out of work. And all because a certain normal and ascertainable balance was destroyed, not by the times but by misdirected and often brilliant business effort.

Just as many people need things as ever. Just as many need the work. Yet because of some miscalculation, or rather, utter lack of calculation, the connection between producing and consuming is broken and everybody suffers. The responsibility does not lie entirely with the producer—though he must as the leader bear a large share of the blame—and the purchasing public must share it with him—but the emphasis now is upon the responsibility of business.

Business in the old manner was always cowardly. It was afraid. It was even afraid to admit that the weather could be bad. Any big newspaper office will furnish stories of protests made by merchants against news items announcing that rain could be expected tomorrow or that a cold spell was coming for Saturday.

The superstition of the business man has been that if he would only call business good, business would be good. A loud booster was an optimist; a true reader of the signs of the times was a pessimist. And instead of doing anything to correct the condition of business, this kind of man just keeps on talking until there is no business left to talk about.

The statistics that pretend to show the condition of the country are often unreliable, since they cannot distinguish between sound business and unsound business. Sound business is that in which goods change hands and are paid for. Unsound business is that in which goods are forced out for the sake of keeping up the appearance of movement and are not paid for. And it is always possible so to stimulate the apparent business of any company to a point where it can be presented before the public as a successful enterprise when really it is failing.

The number of things which are currently cited as making for good business or for bad business is truly extraordinary when the things are viewed by themselves. It is not so extraordinary when they are viewed in their surroundings, for then it is seen that they are expedients to avoid the labor of thinking. It is a natural tendency to do what someone else is doing and to assume that because that someone else seems to be successful it is safe blindly to follow

him. That is the fallacy of all systems of management which are offered as recipes for success. No one can draw up a system of operation by which a business can be managed at all times. The best that can be done is to draw up a plan showing what is being done now. Tomorrow, having learned something, the tack may change. Modern business is sailing an uncharted sea. It needs managers instead of systems

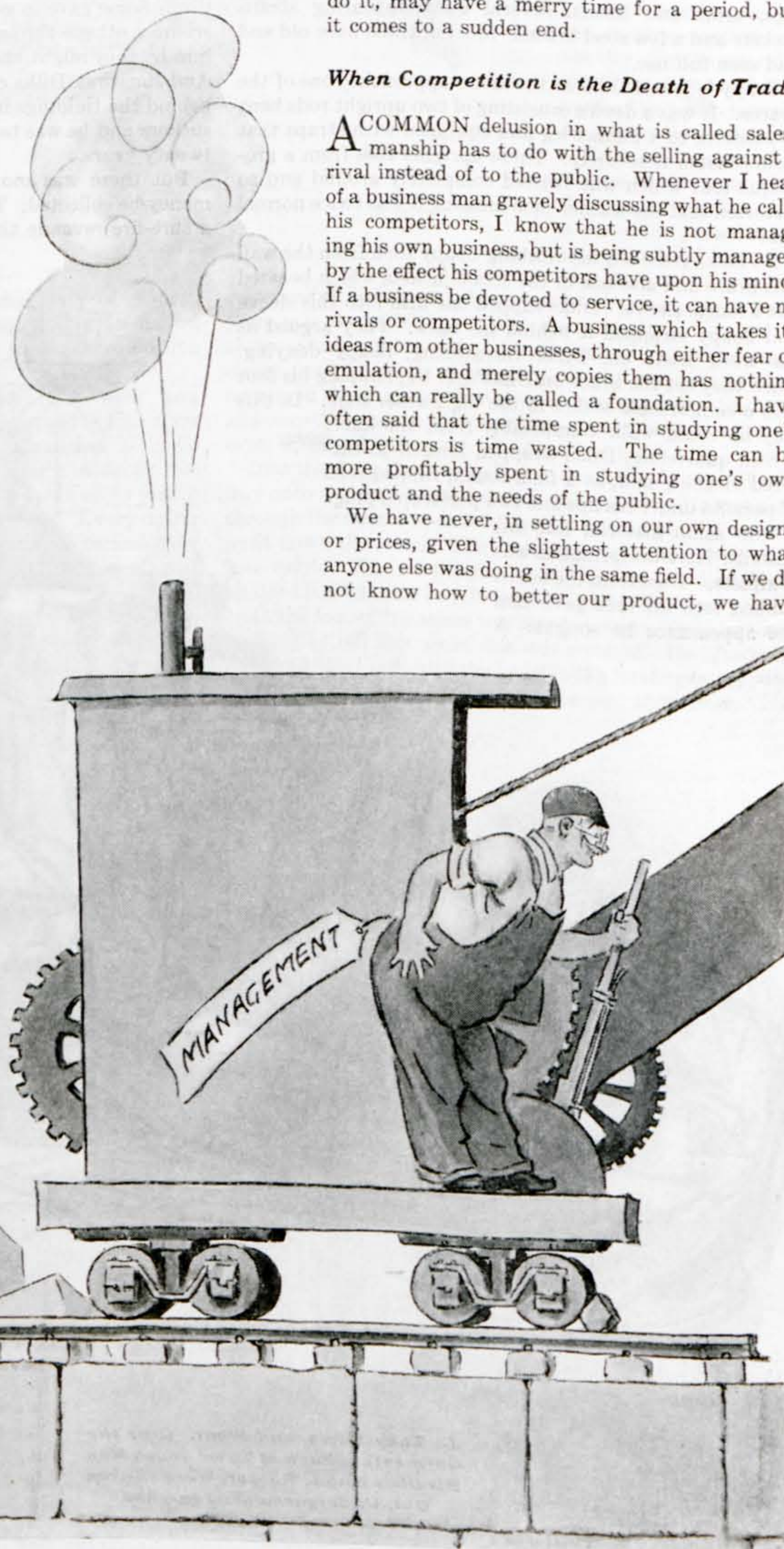
of management—managers whose authority is their knowledge, insight and clear reading of the signs of the times. Management, as a system, is merely the accumulated precedents which previous managers established in their special set of conditions; the conditions have changed; the precedents are no longer authoritative. What business calls for today is not followers of precedent, but makers of precedent; and this can never come from men whose business life comprises sales and profits; it must come from men who see business under the aspect of a social circulatory system of supply. Supply, not salesmanship, is its key word.

Salesmanship, when it has developed every scheme to get goods into everybody's hands, comes to an end. Business that exists merely to keep a sales force going at what that force wants to do, and in the way it wants to do it, may have a merry time for a period, but it comes to a sudden end.

When Competition is the Death of Trade

A COMMON delusion in what is called salesmanship has to do with the selling against a rival instead of to the public. Whenever I hear of a business man gravely discussing what he calls his competitors, I know that he is not managing his own business, but is being subtly managed by the effect his competitors have upon his mind. If a business be devoted to service, it can have no rivals or competitors. A business which takes its ideas from other businesses, through either fear or emulation, and merely copies them has nothing which can really be called a foundation. I have often said that the time spent in studying one's competitors is time wasted. The time can be more profitably spent in studying one's own product and the needs of the public.

We have never, in settling on our own designs or prices, given the slightest attention to what anyone else was doing in the same field. If we do not know how to better our product, we have



simply demonstrated that we have no right to be in business and ought to get out of the way of progress. Any attempt to crush one's rival for the purpose of gaining his business is not only a criminal misuse of power but also a great waste of effort, for someone else is certain to come along and take away the buying public while the competitors are fighting.

The instinct to crush a rival is the pettiest expression of power. He who misuses loses more than he who is misused. It is misuse of power to impede a rival, because it is an interference by one who has no right to interfere. Every man has enough to do in his own field. The great danger of competition that has only the competitor in view is that both competitors sink to the level of an altercation while the public buys elsewhere. Competition in the sense of rivalry in service is another matter; it is competition with the good of the public in view, and under this form of competition all competitors and the public are benefited. But the crush-my-rival kind is doomed to trip itself for a hard fall.

The Larger Ends of Business

THE abolishing of poverty is, as far as I am concerned, the only end of business which is worth considering. It is from this point of view, and only from this one, that we can see the futility of selfish competition and the utter fallacy of the profit motive. Once we see the ultimate purpose of business as a factor in the life of man, we are through with all the little twiddling fancies that formerly passed for business wisdom. The abolishing of poverty is the only legitimate purpose of business, and its accomplishment is not an impossibility unless we imagine that it can be done all at once by edict. The reasons for poverty are highly individual as well as highly social—that is, there are povertyizing influences for which society as a whole is responsible, and others for which the individual is responsible. Business by its methods and purpose may have a

very great effect in removing the social causes of poverty, and through its skillful manipulation of ambitions and desires may have an equally beneficial effect on individual causes of poverty.

There is no question of the power for mass suggestion which modern business possesses. But it has not yet been used for the greater ends.

Prosperity can be in a measure controlled, and so, also, can poverty. Poverty can be controlled to the vanishing point. But neither control can come from above. The control must start with the family unit itself in its buying—not in limiting its buying, but in buying wisely and insisting on values.

The foundation of prosperity is the family. Each family is, or should be, its own business manager. The material affairs of a family are as much a business as the affairs of an industrial corporation. Fortunately a sufficient number of families always know this instinctively or have figured it out for themselves, and they are enough to guarantee the economic stability of the nation. The family that does not keep itself solvent, that unduly mortgages its future for nonessential and nonproductive things, not only endangers its own solvency but decreases the margin of safety upon which the nation depends.

Any system of business in which the money lender too conspicuously thrives is not a truly prosperous system. The greater the spread between the supply and the need, the more middlemen squeezed in between production and use, the heavier is the drag on the nation's prosperity. Credit is an admirable device when it lessens the spread,

but when it increases the spread it becomes an enemy to economic health.

There is all the difference in the world between investment and debt, and it should be learned. In the end the proper management of the country devolves upon every household, and it cannot be handed over to profiteering finance, for then sales and not supply become the motive; and

even these sales are not properly sales, but only apparently so, for nothing has as yet been paid for. A transaction in which the purchaser does not really own his purchase because he has not paid for it, and in which the seller is not really quit of his product because he has not collected for it, is not a sale. It is a state of suspense where the buyer has not really got the goods and the seller has not really got the price.

By certain intensive methods of salesmanship, people are made to believe that they want lots of things that they do not need. This is in the end bad business for everybody, because the artificial strain put upon the purchasing power reacts upon production, and trade receives a blow. Normal buying and normal selling are needed.

It is said that we as a country cannot stand prosperity. But what is there about prosperity that has to be stood? Have we ever really had national prosperity? And should not prosperity be a natural rather than an unnatural condition? Do we worry much about a man's not being able to stand good health? It is also said that as a country we have gone so far toward the perfection of production that we are in danger of being swamped in a sea of goods. What is there to all this?

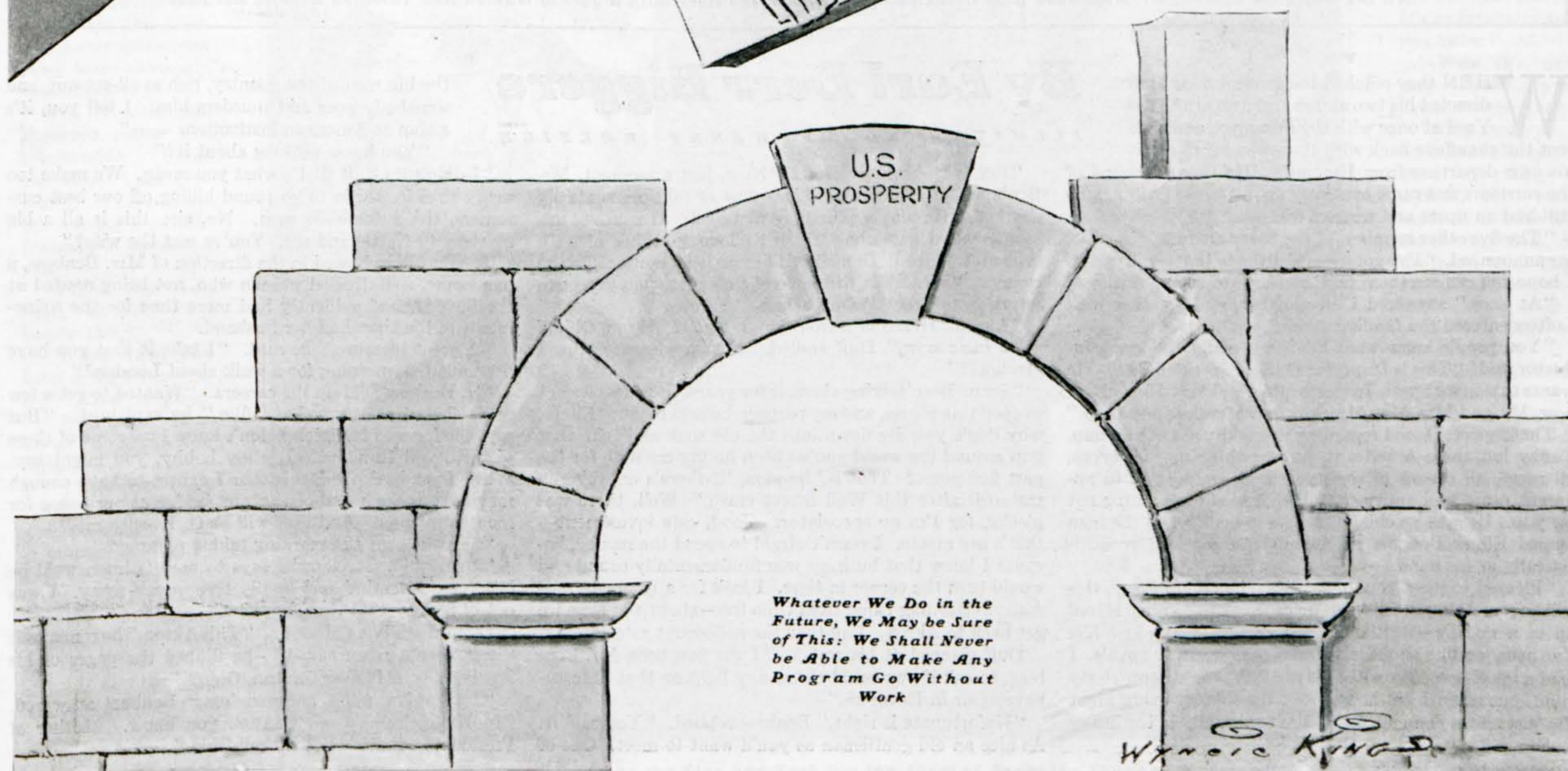
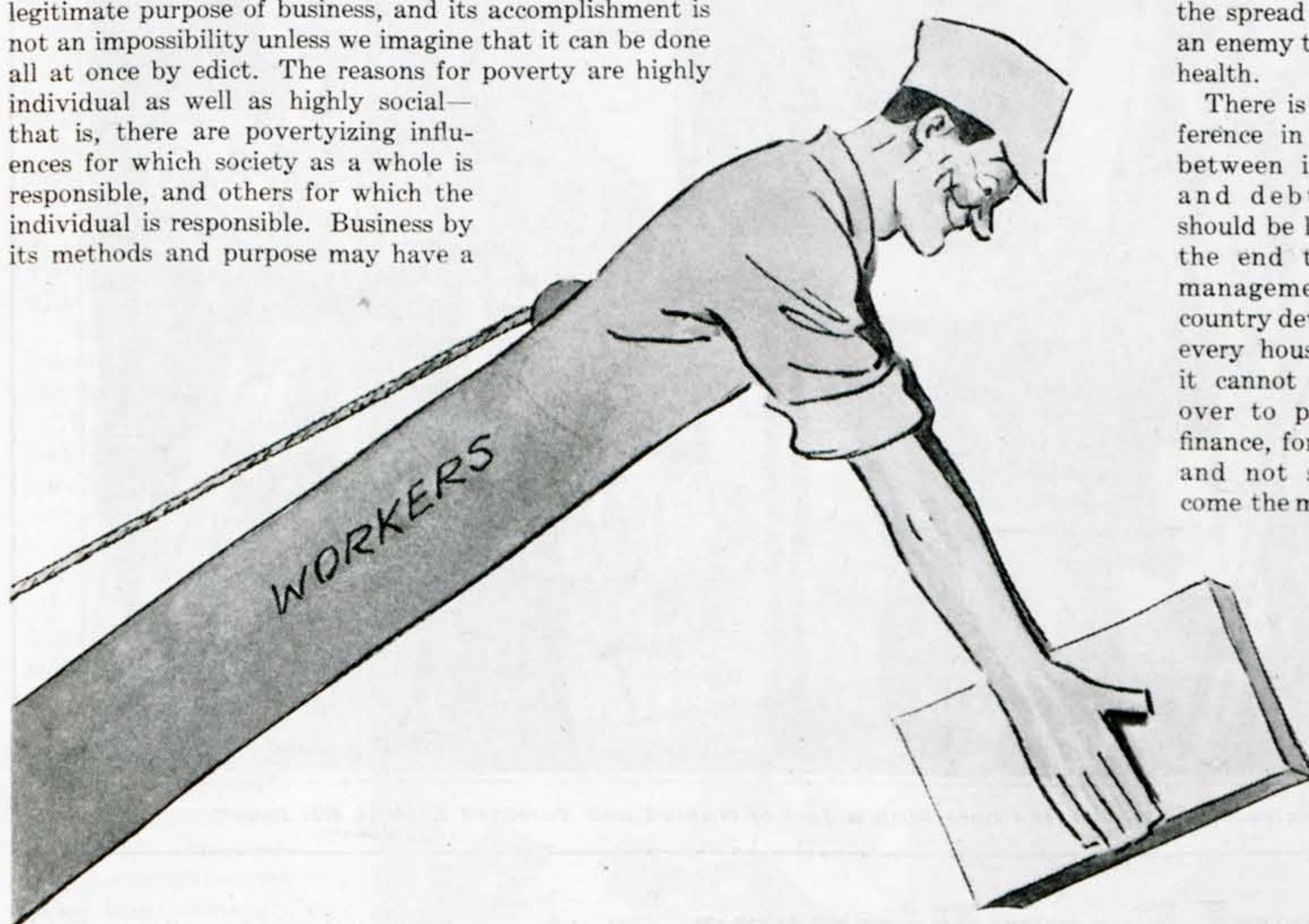
It is well to bear in mind that whether or not we have prosperity depends on the standard used for comparison. If we compare our present condition with past conditions, then we have prosperity. If, however, we compare what we now have with what we shall have in the future, then we have hardly scratched the surface of prosperity. For, much as many think we have developed this country, actually we have scarcely begun its development. We have, as yet, scarcely occupied it. We have not even learned what there is in the country to develop. Far from seeing the end of development, we can scarcely see more than a beginning here and there.

Increasing Buying Power Through Production

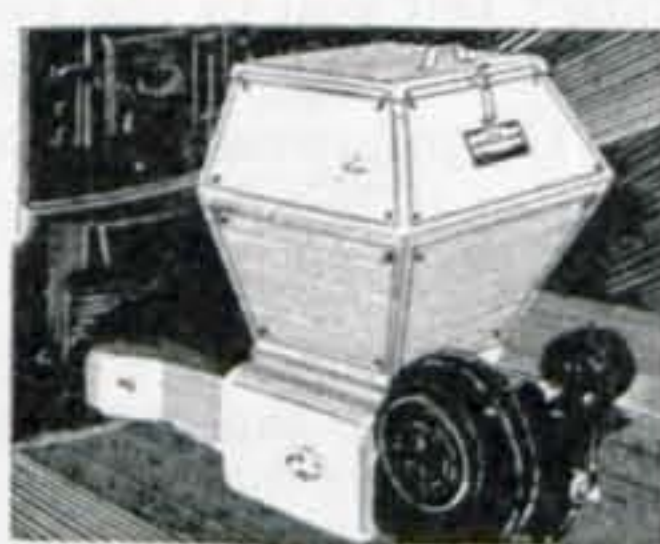
AND likewise with production. We have made some progress in production, but only one end of it—the shop end. The rest remains to be done. But through our present progress we gain an inkling of how much more we ought to know and eventually will know. Certainly we are as far away from perfection in production as ever we were, for production begins much farther back than we usually think and ends much farther on. Is anything really produced until it has been distributed and consumed and its essence made to serve some valuable human end? Each step takes us on our journey, but the horizon is never nearer.

If people of this country be thought of as arranged in tiers of buying power, then one can get a notion of what has been happening. Not many years ago only the topmost tiers—the wealthy and the near wealthy—had adequate buying power, and there was not really much for them to

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TOWARD ABOLISHING POVERTY

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buy. The lowermost tiers had almost no buying power; they considered themselves lucky to get enough to eat and a place to sleep.

Mr. Edison has truly said that once a man is assured of enough to eat, his wants become unlimited. This is very true. Any one whose whole struggle is for food is not going to have any thoughts beyond food. But when the getting of food is no longer an anxiety, then wants begin to rise and to soar. In this country practically no one is just grubbing for food.

We have changed our definition of poverty. It used to be that no man was poor unless he was starving. Undernourishment today is due more to ignorance in the choice of foods than to the lack of food. Therefore few of our people are in the condition of not wanting anything. And this should not be explained by low references. People want things because they want life, and things are the servants of life. At first the wants and the choice are perhaps not discriminating. But as familiarity with plenty becomes widespread, taste and judgment and responsibility appear. The one way to emancipate a people from a crass materialistic state of mind is to give them plentiful material possessions—for materialism grows from lack, not from supply.

We have been learning a little to use what we have, and that use has put money into circulation—which means that buying power has been put into circulation. As this circulation widens, it touches tier after tier of the public, and thus the demand for products steadily grows.

As we learn more and more about use and the relation of use and waste, this demand will continue to grow. It will diminish only if we sit back and neglect the development of our country in the false belief that already we have developed it, or, worse still, imagine that we are developing it so quickly that nothing will be left for those who come after us.

The Two Kinds of Waste

There never was less likelihood of our exhausting the natural resources of the country than there is today, because nowadays all kinds of waste are being reduced to a vanishing point, the same materials are being used over and over again, and new uses are constantly being found for everything we have. Comparatively speaking, we are using up less of our resources because we are getting more use out of what we use. There is today so much to be obtained in the way of by-products from that which was formerly discarded that it is often hard to distinguish between the product and the by-product. For instance, in our industries we no longer use raw coal as fuel. It is with us a raw chemical from which we obtain a number of useful derivatives, some of which serve as fuel. Heat is only one of the by-products of coal. Through the distillation of refuse wood we obtain values commensurate with the value of the lumber. There is waste, but it is not the same sort of waste that our forefathers bothered about. They paid a great deal of attention to the waste of materials, but none at all to the waste of human beings. We are coming to an exactly reverse attitude, and we regard the waste of materials as important only as it represents the waste of human beings, for the waste that we practice upon the original store of wealth is always repairing itself. The waste material is replaced. The earth never ceases making what we need and is prepared to fill future needs of which we have not now the slightest knowledge. If men waste energy, it is lost to them as individuals, but the great reservoir of energy on which all life draws is not exhausted.

There is a kind of economy that represents only fear. It is a reaction to extravagance. Economy is the rule of half-alive minds. It is better than waste, but it is

not so good as use. Those who pride themselves on their economy sometimes bristle when it is attacked, as if one of the virtues had been denounced. But is there anything more pitiable than a poor, pinched mind spending the rich days and months squeezing a few coins and paring the necessities of life to the very quick? Indeed, there are two kinds of waste—that of the prodigal who throws his substance away in riotous living, and that of the sluggard who allows his substance to rot from nonuse. In the precious things of life the strict economizer may be classed with the sluggard. The beauty of the principle of use is that it contains all the advantages of economy and at the same time gives healthy expression to all the instincts, of which wastefulness is a diseased symptom. Most people's extravagance is a reaction to severe suppression of expenditure. Most people's economy is a reaction to extravagance. Under the principle of use the broadening experience of expenditure is obtained, as well as the self-control and discipline of economizing.

Face Value for Our Resources

The fearful are forever predicting shortages of this or that essential commodity, but the shortages never appear according to schedule. Every so often we are told that the supply of petroleum can last only a few years. The soil, it is predicted, will lose its fertility in the course of the years, and we shall all die of starvation. And thus it goes. If a group of people decide on the exact day and hour when the world is to come to an end we do not give credit to their forecast. But if some man who is called an economist or a scientist decides that a part, at least, of the world is coming to an end—oil, wood, iron—fifty or a hundred years hence, then his statement is taken as seriously to be considered.

Is it not more to the point to take what we have at its face value in the expectation that, whenever a shortage in any commodity develops, a new and better substitute will be found for it?

The country already has so many substitutes for wood that the lumber men are worried lest the public get too far away from the use of wood. The far future is going to care for itself anyway, and the best that we can do is to plan for today and for the near future. On that basis it is perfectly apparent that we have not begun to make the provision for today that it is within our power to make.

The present era of comparative prosperity coincides with the development of automotive transport. That has developed many millions of mobile horse power, and this in turn has caused a start toward rebuilding the country. It is responsible for the making over of thousands of miles of roads and for the building of thousands of new sections adjacent to cities. It has spread out the cities, but also it has brought the farm closer to the town. The single matter of giving people a chance to move about and see the world is an element which of itself would be sufficient to change the character of the people.

The results of this development—at the best only a partial development—give an idea of what may come about with a fuller development. Or, instead of fuller development, one might say the opening of wider opportunities.

It is not logical to divide the country into agricultural and industrial groups. Industry has already passed west to Chicago and beyond, while the South, which used to know only cotton, is now quickly becoming industrial because it is beginning to use its water resources for the generation of power. The shift is everywhere from wholly manufacturing or wholly agricultural to a balance between the two. If anyone would figure up the production of the small truck gardens, which so many factory workers may

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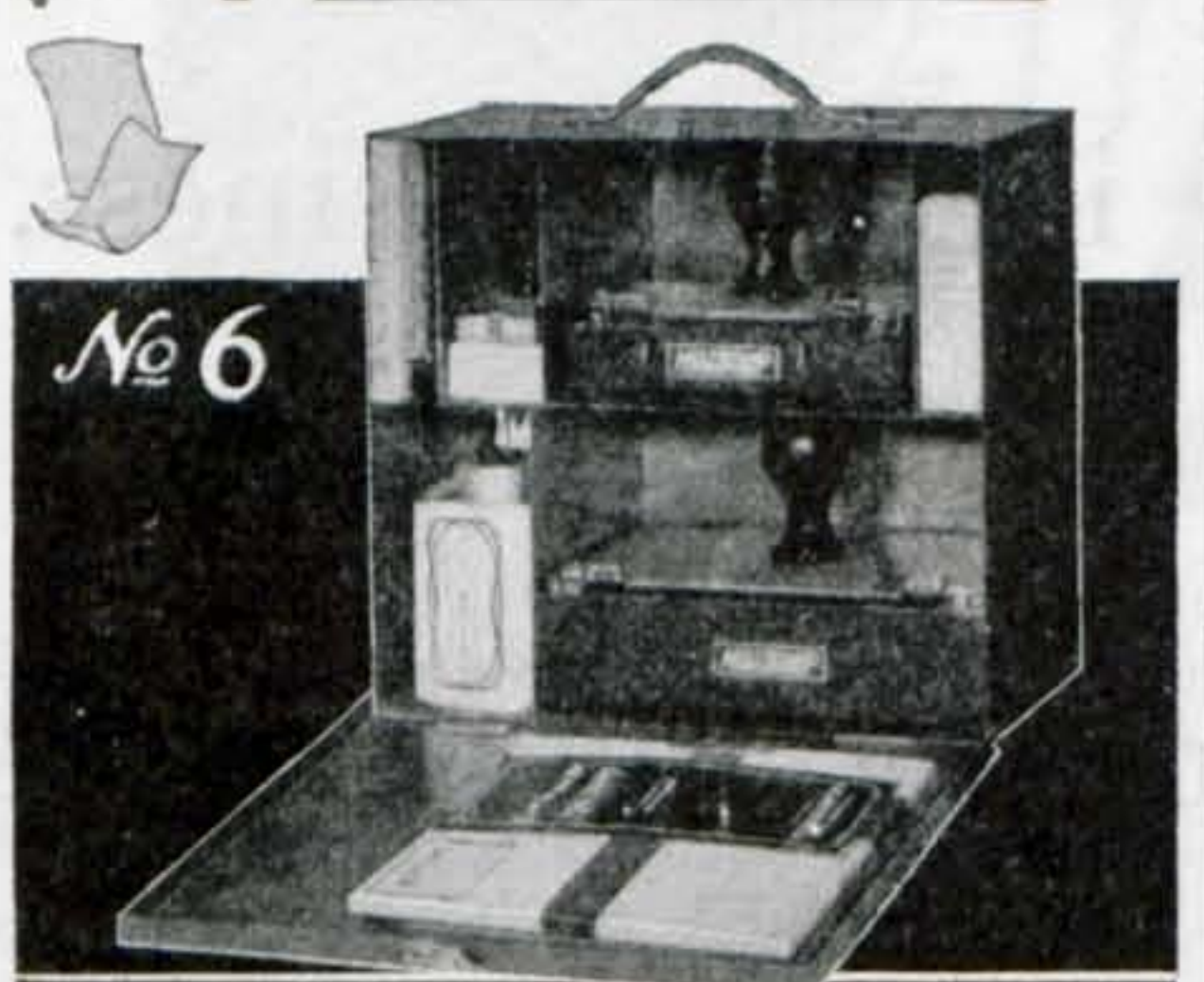
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now have because of the automobile, the total would undoubtedly be astounding.

We are very gradually learning the meaning of transportation and power, and their relation to both industry and agriculture. We now know that if any district be given the two fundamental elements of transport and power it is bound to grow. This is shown by the gradual decentralization of great industries. Industry can center at the source of raw material and power, or at the market. Industry centralized around one or the other of these points. That is changing because both these centers are expanding and overlapping, and a center is almost anywhere an industry wants to settle. This has had the excellent effect of decentralizing industry and enabling it to disseminate its employment benefits through many widely separated communities.

We undoubtedly need more railroads, and also we need a very large extension of public roads for automobiles and trucks. The railroads and the trucks are not competitors, as was at first imagined. Each in its sphere feeds the other. The airplane is developing, and it also will have its sphere and will breed business for all other forms of transportation, for it will open up regions that now, in point of time, are inaccessible. But we have very little provision for the cheap transport of heavy, bulky freight that does not have to get anywhere in a great hurry. We also have large sections of the country that are but thinly peopled because of a lack of transport, of power and of water.

A waterway gives the cheapest facility for heavy transport. We have an abundance of such waterways. Developing a waterway for transportation fortunately brings benefits in many directions. The first is that the dams and reservoirs required to give a steady depth of water for navigation fit in perfectly with the generation of power by electricity. We now know how to get the utmost out of the water flow and also economically to transport the power over considerable distances. The second benefit arises from the flood control, which is a necessary incident. The rush of waters that causes a flood can be so retained as to provide an even flow in times of drought. The third great reason is that the massing of big bodies of water helps the rainfall and also provides for irrigation.

Work for the Unemployed

In any particular case, one of these elements may be much more important than the others, but they all work together. The country already has before it a number of these projects, all of which have been hanging for years, not because their merits are disputed and not because the necessary engineering skill or the necessary money is lacking, but because all the projects require a clearing of the way by the National Government in cooperation with state governments.

There are a few projects that might at once be undertaken and concerning which engineering opinion is practically agreed, except for what are not much more than details.

Their cost is not important. We have the money. And from a national standpoint they should not be looked at in terms of dollars spent but rather in terms of dollars circulated. For these projects alone ought to start enough money into circulation to give employment to anyone who will work, and thus to move up another tier of people into the region of larger buying power. For, though the actual building will be far from the present centers of trade, the money will circulate through every part of the nation and increase the demand for the products of both the farm and the factory.

The building of these works—extending as they must over a number of years—will not only prevent unemployment during the period of building but the wealth they will create and liberate when done will step up the whole country to a new level of prosperity.

For they will not only add directly to production by the provision of power but they will still further spread out industry which will in turn stimulate other lines of activity and thus increase the employment opportunities of the people.

An element that serves to delay the beginning of these great public projects is the belief that public resources should be retained by the Government and also operated by the Government. Behind this belief is the thought that ownership is more important than use, and it begets a condition wherein the people have to pay an exorbitant public cost instead of a reasonable private profit.

Private vs. Government Ownership

For it is a demonstrated fact that private ownership can earn a satisfactory profit in any form of enterprise, charging prices or rates which under government operation would result in a loss. I have never heard of a man who has had any experience at all in the conduct of any kind of business who believes in government ownership or operation. It is wasteful, and it is bound to be wasteful, because men working under the Government and subject to inept direction, and political indecision, and frequent partisan investigations, not to speak of the vagaries of theoretical reformers who think that business is the enemy from which the people must be saved—men working under these conditions are more interested in avoiding the doing of anything that might be criticized than in getting ahead. Indeed, regardless of salary, it is almost out of the question for a Government to engage the best managerial brains. The best brains will always care more for the work than for the job, but in the Government the temptation is to retain the job.

All this is true wherever the Government has sought to enter business. I must say, however, that in the Government's proper business there has usually been a fortunate amount of brains. It is the brains in Government that realize best the hopelessness of a Government's becoming a business success in any sense. There is no profit-and-loss account staring a Government in the face. There is no check upon high prices or poor service, such as customers can exercise upon private concerns. A Government can monopolize a service and thus compel you to use it, it can underserve you and overcharge you and make you pay a deficit in the form of taxes. All these conditions are utterly destructive of all the elements of business.

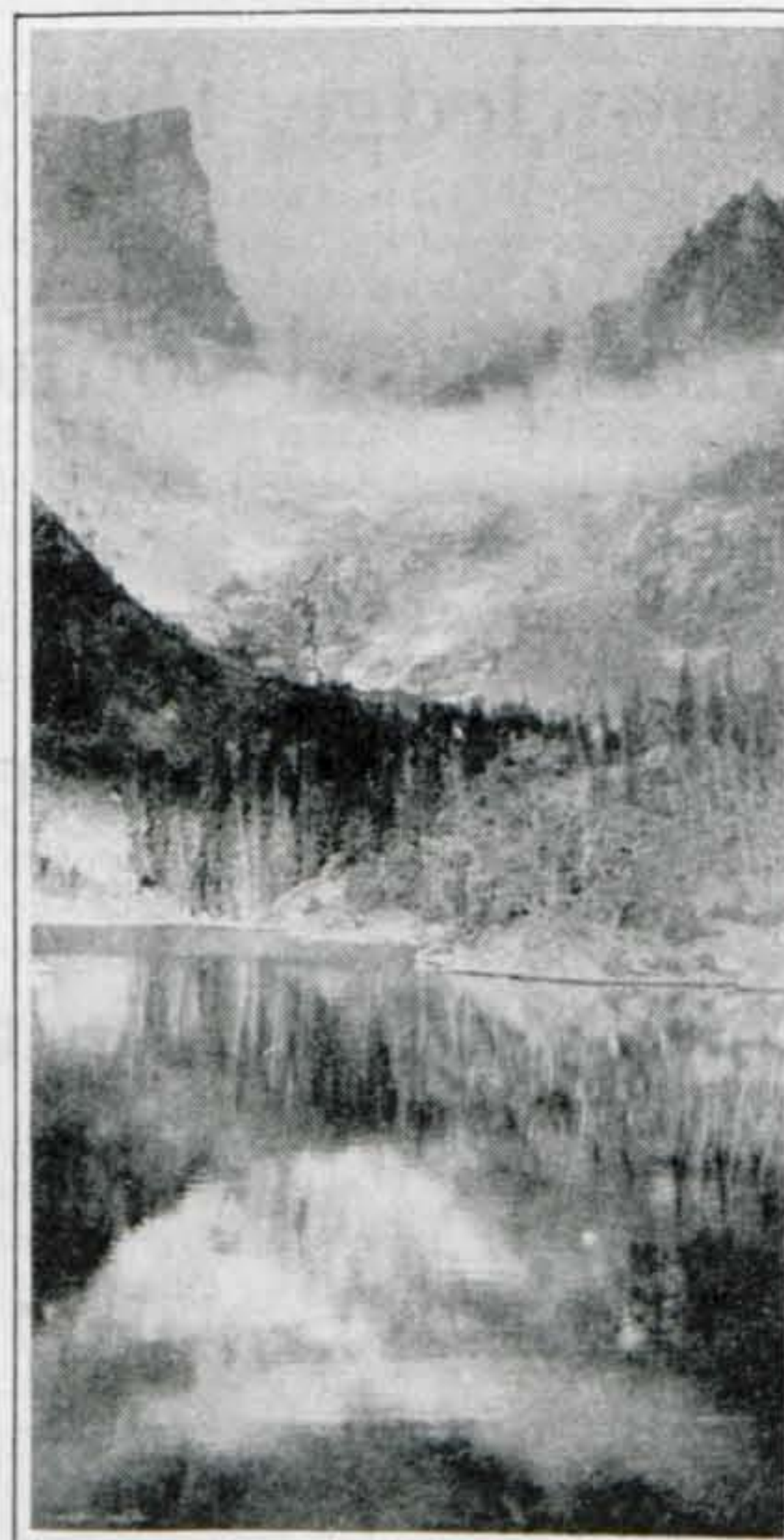


PHOTO. BY FRANCIS
Dream Lake, Rocky Mountain National Park, Colorado

As to the possibility of a private profit when the resources of the nation, such as water power, are developed, to my mind the logical approach is this: Which is the more important: What the man gets or what the public gets? What we lose sight of is the fact that every development of whatever kind is a public development. Nothing other than wide and satisfactory public use can make any private venture profitable. The public, in the last resort, has the full use of every private service, with none of the responsibilities should it prove a loss or a failure. But under government ownership the deficits come out of the public pocket in taxes. Private profits go back to the public. There is nothing else to do with them. No man can spend much on himself or his family, and his surplus has to go back into some enterprise from which he hopes to gain a profit.

All this does not mean that the Government should have no part. But the great duty of the Government in public and other works is to make the way easy for the public to gain benefits.

It is not equipped to make prosperity, but it is equipped to make prosperity possible, just as it is equipped to make poverty impossible. The chief danger here is that a program of development may be so twisted as to become a program of charity—that work will be allotted to men because they need jobs and not because the work ought to be done.

The very best charity is to help a man to a place where he will never need charity. Nothing seems more useless than the trouble we take to ease the effects, when half that trouble would serve to destroy the cause.

Human sympathy is a great motive power, and no cool, calculating attitude will take the place of it. All great advances are due to human sympathy. But we have been using this great motive force for too small ends. If human sympathy prompts us to feed the hungry, why should it not give a much greater prompting toward making hunger impossible? If we have sympathy enough for people to help them in their trouble, surely we ought to have feeling enough to help them out of their trouble.

The Best Weapon Against Poverty

It is a curious fact that more people can be got to help relieve poverty than can be got to devote their energies to removing poverty altogether.

Our first duty we owe to ourselves. We must do our best where we are. We must be fair where we are. We must do honest work where we are. No one who throws down his tools is helping to abolish poverty. Whatever we do in the future, we may be sure of this: We shall never be able to make any program go without work. Work is a good quality to be developed. Every man who works is helping to drive poverty out of the world—first his own and then that of his fellow beings. The man who does better and more productive work today than he did yesterday is a social reformer of the highest type. It is not the men who are doing the talking that are solving our problems, but the men who are at work.

Every age teems with theories which need only stand a while before their falsity will be revealed. If a thing is right it will endure. If it is wrong the public mind simply outgrows it. No one can imagine how much worse off we should be if we followed every theory and every leader that promised us a golden age. So, if our progress seems slow, it is only because of the people's carefulness not to make a misstep. But there is progress being made all the time, now in this direction, now in that, and then all along the line.

One very great false move would be to make charity a substitute for reform. We can give by developing. We cannot develop by giving.

Editor's Note—This is the fourth of a series of articles by Mr. Ford and Mr. Crowther. The next will appear in an early issue.