overcome the apparent deficit, $1000 from the savings account was used, reducing this fund from $8000 to $7000. The payments made to the *Journal of Economic and Business History*, which was discontinued in August, 1932, fully account for this amount.

Acquisitions

While the past year has not been an easy one from a financial standpoint, much has been accomplished in securing added material which goes to enhance the value of an already noteworthy library of material valuable to the study of business in its many aspects. There has been every evidence, both at home and abroad, of a desire to coöperate with the Society on a broader scale than ever before. The acquisitions received during the past year cover such a wide variety of subjects that it is difficult to point to any one outstanding collection.

However, mention should be made of a case of records and correspondence of Perkins and Company, American pioneers in Oriental trade, received from Hongkong, China; the anniversary publications and corporate records of many important commercial organizations both at home and abroad; files of periodicals; and monographs on countless subjects related to the study of business. A review of the Society's records shows that 312 consignments of historic and current data were received during the year as compared to a total of 239 for the previous year. These included not only material from various parts of the United States, but also important material from thirty-five foreign countries.

Depressions Past and Present

By John F. Tinsley, D.Sc.

The following paper was prepared by Mr. Tinsley, Vice-President and General Manager of the Crompton & Knowles Loom Works, to be delivered at the annual meeting scheduled for December 8, 1932. With his consent it is printed here.

The record of business cycles in the United States in the past 50 years provides either discouragement or encouragement, depending on one's point of view. Discouragement is to be had if the frequent recurrence of depressions is regarded, and encouragement if we consider that in spite of troublous periods of business slackness coming every few years, we seem to emerge from them all not seriously impaired.

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Economists point out that in the last half century we have had 15 cycles of business expansion and contraction, including the one through which we are now passing. Summarizing them, we have had nine conspicuous for the depth of the valley of contraction:

1882–1885	1913–1914
1893–1894	1920–1921
1896–1897	1923–1924
1902–1904	1929–1932
1907–1908	

From the standpoint of duration of the period of depression or contraction, eight are notable as continuing 18 months or more:

1882–1885	38 months	1910–1912	24 months
1896–1897	18 "	1913–1914	23 "
1899–1900	18 "	1920–1921	20 "
1902–1904	23 "	1929 to date	36 "

According to Dr. Wesley C. Mitchell's table, as contained in the report of the President's Commission on Recent Economic Changes, the average length of a full business cycle in the United States in the past 50 years has been 41.8 months, made up of an average period of expansion of 23.7 months and an average period of contraction of 18.1 months.

We seem to have had such a wealth of experience in regard to depressions that off-hand it would appear as though it would not be difficult to discern clearly the trend of their causes.

On the contrary, however, there is a wide variety of characteristics attending our periods of expansion and contraction. Indeed, as Dr. Mitchell puts it, "Every business cycle is a unique historical episode, differing in significant ways from all its predecessors and not to be repeated."

Certain effects are much the same, though the intensity of them depends upon the length and severity of the depression — collapse of credit, bank failures, receiverships, falling prices and lowered values of commodities, securities and real estate, with accompanying unemployment and hardship on large numbers of people.

Features of Past Depressions

It is of interest to note certain major distinguishing traits of past depressions which are more or less closely associated with their causes. It must, of course, be understood that these are not necessarily causes.

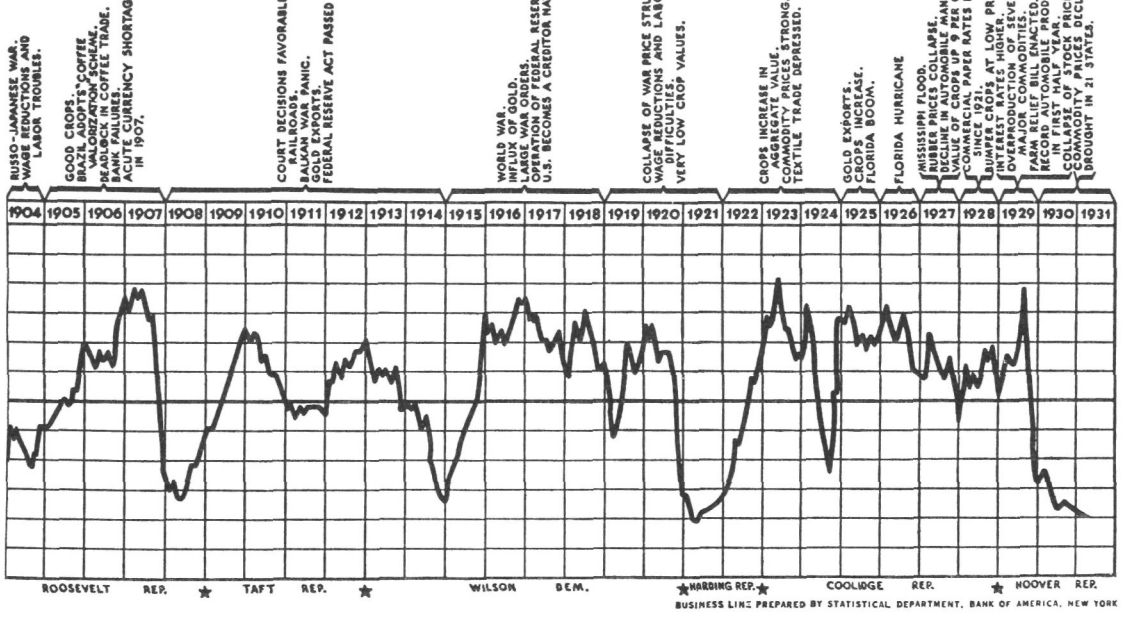
Depression of 1882–1885 — Low crop values, withdrawals of foreign capital, falling commodity values, decreasing railroad construction.

Depression of 1893–1894 — Records indicate the following as marking especially this very severe depression: gold outflow, low prices, commercial failures, labor troubles. This was the depression which caused

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This is a chart not of causes, but of coincidences. It does not follow from the list of events above the wave line of depressions and elations that those events were causes of the changes in the line; rather, that they occurred at the same time. The same is even more true of the synchronization of presidential terms. If that shows anything, it is that depressions and booms have no relation to the party in office.

the failure of many of the leading railroads of the country, such as Reading, Atchison, Erie, Union Pacific and Northern Pacific. Union Pacific in 1893 sold for $4 a share and was assessed for $15. Call money rose to 360% in this year but no money was available. The distress throughout the country was deep and wide-spread.

Depression of 1896–1897 — This was the period of the free silver agitation. This depression almost looked like a relapse of the severe depression of 1893–1894 in that we had not had time to recover from it when additional unfavorable conditions started a further contraction.

Depression of 1902–1904 — Period including the Japanese War. The depression was especially characterized by wage reductions and labor troubles.

Depression of 1907–1908 — The most distinguishing characteristic of the depression was the acute currency shortage of 1907.

Depression of 1920–1921 — Collapse of war price structure, very low crop values, wage reductions, labor difficulties.

Depression of 1923–1924 — In this period the farmer's situation became increasingly critical.

Business Cycles and Political Administrations

We are apt to associate expansions and contractions of business with political parties and administrations. Our depressions of the past fifty years give us little substantial basis for associating a responsibility for booms and depressions with the political party in office.

The lowest point of the very serious depression of 1882–1885, the longest one before the one we are now going through, was reached at the end of 1884, which was the year in which the Democratic party elected its first President since pre-Civil War times. The depression continued until May of 1885, when business started to improve and continued to improve, with minor contractions, for the next two and one-half years. Business began to drop fast in April of 1887, and as another election approached continued to drop until April or May of 1888. In that year a Republican President, Mr. Harrison, succeeded Mr. Cleveland, and we see the curve of expansion continuing with minor dips until August 1890, when there was a sharp but comparatively temporary contraction, preceding a sharp rise beginning in May 1891 and continuing until the very severe depressions of 1893. In the Presidential election of 1892, the Democratic party was victorious, and as Mr. Cleveland took office in March 1893 the depression of that time had already begun. The contraction in this period continued for a year and a half when there was a rise that continued until December 1895. Beginning in December 1895 there was a steady drop that continued practically for an entire year to the end of 1896. This was another Presidential year and in the election President McKinley succeeded President Cleveland. In McKinley's administration business improved through 1897, remaining on a fairly constant, though subnormal, level through 1898, when a sharp

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rise began and continued for some time. This was, of course, the period of the Spanish-American War. From this period on until 1913 we had the Republican administrations of Roosevelt and Taft, and the depressions of 1903–1904 and 1907–1908 came well inside of the beginning and the end of this period. The Presidential year of 1912 saw a sharp rise in business beginning in February and ending in January 1913. President Wilson's administration came into office in March 1913 and from then on up to December 1914 there was a very pronounced drop in business. With the increasing intensity of the World War, which began in August 1914, and with our commercial participation in it, the curve of business expansion rose rapidly to continue, with the interruption of a short depression in 1919, until 1920, another Presidential election year. Beginning in February of 1920, business dropped practically steadily until September 1921. The Democratic administration which had continued for eight years under President Wilson was succeeded by a Republic administration under Harding in March 1921. The curve of expansion turned sharply upwards in October of that year and continued to May of 1923, when we had a short and temporary contraction, followed by a brief rise and then the severe drop, though temporary, in 1924. In August of 1924, notwithstanding it was a Presidential election year, there was a sharp rise that extended into 1925 and then sustained, with brief periods of expansion and contraction, until the present depression began in the fall of 1929.

From this review it will be seen that business expanded in some Presidential election years and contracted in others, similarly expanding in Republican administrations and contracting in Democratic administrations, and vice versa.

Theories as to Causes of Business Cycles

On account of the financial distress which generally accompanies depressions, it is natural to align financial conditions and situations with them. The panic of 1873 and succeeding years is associated with the demonetization of silver and the suspension of gold payments. The gold situation, the threatened suspension of specie payments and the free silver agitation in the 90's, the so-called rich man's panic in 1903, the money panic of 1907, and the credit stringency of the present depression are typical examples. Yet the depression of 1882–1885, the longest one in our recent history prior to the present one, was not characterized especially by financial distress, neither did the severe slump in 1920–1921, following our war and post-war expansion, seriously affect our financial structure, though in this depression we had operating for its first critical test the Federal Reserve System established not long before. Similarly, it is also true that, notwithstanding the seriousness of the present depression, and the assaults on our financial structure incident to gold withdrawals, hoarding and other fiscal burdens, our situation is not to be compared with that of 1893.

There are many other theories on the business cycle that have to do with

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gold production, crops, foreign trade, mechanization of industry, etc., all of which have their supporters. In the light of our inability to associate definite and specific causes for serious business fluctuations, it is easy for the layman, at least, to accept that interesting theory of Dr. A. C. Pigou of Cambridge University, who claims that our business cycles are due to recurrent changes in business confidence. He expresses his theory as follows: "Optimistic error and pessimistic error when discovered give birth to one another in endless chain."

There is much good practical sound sense to support this. During an orgy of easy money, high living, extravagant spending and speculation, we see nothing but an ever rising curve of business, and we create in our imagination a "new economic era." When a reaction sets in, and it always does, we descend to the depths of despair and see then only an end to our "industrial and capitalistic system."

Fifty years ago in the 80's we had a situation remarkably similar to the present. We then had several years of splendid prosperity following the depression period of the panic a few years before — easy money, spending and speculation followed. There were no great national or financial crises at the time and yet we had a recession in business both severe and prolonged.

There are many who see in our own wild splurge of living, spending and speculating of 1925 to 1929, and our subsequent reaction in the present depression, a striking parallel to the situation in the 80's.

President Hoover's Views on Causes of Present Depression

In connection with the present depression I think President Hoover may well be classified as an economist who not only is familiar with the theories of business cycles, but has been tried in the fire of practical experience more than any other man of his time. His views as to the fundamental causes of this depression are, therefore, noteworthy. In the past two or three years in messages to Congress and in public addresses he made several utterances along this line. In 1929 he attributed the situation fundamentally to "a wave of uncontrolled speculation in securities resulting in the diversion of capital from business into the stock market and the inevitable crash."

Later he gave expression to a conviction that an important contributing factor was possibly a price collapse of important raw materials, mostly in foreign countries.

In his message to Congress in December 1930 he said: "In the large view the major forces of the depression now lie outside the United States, and our recuperation has been retarded by the unwarranted degree of fear and apprehension created by these factors."

In many utterances in 1931 and 1932 the President laid a heavy, indeed the chief, responsibility for the depression on influences created in the main by the World War, among which he enumerated competitive armaments, heavy taxation burdens and a feeling of unrest throughout the world which,

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to use his own words, "has disturbed the peace of more than three-quarters of the commercially important nations of the World."

Features of the Present Depression

In general the most obvious effects of the present depression are similar to those of the past, differing only in relative severity. We have not had as many bank failures, for instance, nor labor troubles. On the other hand, certain commodity prices have fallen far below the cost of production, and some to levels below anything experienced in half a century. The principal difference between this and similar troublous periods of the past, I believe, consists in what has been done to make the burden of human suffering as light as possible.

In contrast to all previous depressions, and providing encouragement for the future, is the new degree of social-mindedness that we have recently developed in the United States — one that has not only set new standards in providing relief for present distress, but which has set to work new forces aiming to prevent and to mitigate the ills of future unemployment.

The rapid growth of Community Chests in the past few years, and the organization of private relief on a nation-wide scale, as stimulated by President Hoover, are examples of a new and enlightened viewpoint. Supplementing private relief agencies and efforts are those of Unemployment Relief bodies in the States and appointed by the Governors, as well as better organized and more effectively operating public welfare boards of the cities and towns. The result has been that many distressing events and scenes that have characterized former business panics have not been repeated in the present depression.

Of special interest and significance has been the attitude of employers quite generally throughout the nation. Sentiment, in the best sense of the word, has come into business to a very consequential and impressive degree. The policies followed in cutting salaries and wages, in laying off workers, and in effecting measures for the stabilization of employment furnish a new chapter in our business history.

Conspicuous among the measures adopted are these:

1. The postponing of wage reductions until the continuation of the depression made this course necessary. It will be recalled that the President of the United States made an appeal to the employers of the country to cut wages only as a last resort. The reduction of wages did not take place on any wide scale until 1931. Indeed, some of the largest corporations did not put in effect any wage reductions until two years after the beginning of the recession of business, and there are a few conspicuous concerns, among them at least one of the largest corporations in the country, that have not as yet reduced wages.

2. There has been in this depression more sharing of work among the many than has ever been the case heretofore. In order to give work to the

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largest possible number, employers very generally have conducted their businesses in such a way as to incur higher operating and overhead costs in order to distribute the burden of unemployment more generally. Thus, hours have been shortened, work has been staggered, and employees whose financial conditions were such as to enable them to stand longer lay-offs were given same, in favor of those who could afford them to a lesser degree.

Industry especially has done much along the lines of sharing work. Other lines of employment are now receiving stimulation in this field through a national "Share the Work" movement.

3. This newer sense of social-mindedness is seen again very markedly in the principles that have been adopted by employers in laying off workers. In the necessary reduction of forces it has been the policy of most employers to try to distribute the burden amongst those who could stand it the best. Consequently three basic principles have been very generally followed by employers:

(*a*) Married women whose husbands were working were eliminated first.

(*b*) Older workmen and those less likely to get a job again were retained. In the light of the fact that it has become increasingly difficult for older displaced workmen to get new jobs, this tendency of the present depression to retain the older employees is of unusual significance. A study of 2100 manufacturing concerns in New York State, made in the latter half of 1930,* indicated that the older men are the most secure from discharge. At the same time the report calls attention to the fact that if they do get out of work, it is difficult for them to get new jobs. In a recent survey of industrial employment in Massachusetts, a committee found in their study, which covered approximately 20% of the industrial employees of the State, that between 1929 and 1931, in the firms covered, there was a diminution of only 13.1% in the number of employees having 5 years' service or more, as against 34.2% in the group having less than 5 years' service.†

(*c*) Again, this new viewpoint of employers was evidenced in the retention of married men with families, even as against unmarried men of greater efficiency or longer service.

In general, it has been the policy of employers during this depression to lay out very carefully a program that had for its basis a fundamental regard for the human side of the situation.

4. A further example of the employers' interest in employee relief is found in the number and type of relief plans established for their employees in the past two or three years. Many companies established and main-

* Report of New York State Commission on Old Age Security.

† Report of Committee on Stabilization of Employment, Associated Industries of Massachusetts, October 1932.

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tained private programs as long as they could afford them. Others adopted comprehensive plans such as the General Electric Company, Proctor & Gamble, and others. Again, communities of industrialists adopted plans on a community basis, such as the Rochester Plan. It should be stated that the extent of the relief furnished in this manner has not been on anything except a relatively small basis as compared with the great need. However, these movements furnish an encouraging sign of the times, as unquestionably splendid examples have been set that will be used as models for further development.

5. A movement of promise that has been initiated on a broad scale is in the field of so-called Employment Stabilization. Organizations established by the President in all Federal Reserve Districts of the country, national organizations of employers and business men, including the United States Chamber of Commerce, trade associations and state associations of manufacturers, have established committees of thoughtful and interested men and women to study the problem of stabilizing employment, so that at the present time the whole subject is receiving the consideration of thousands of earnest employers throughout the country.

Typical of the new and more enlightened thought among employers in this direction is a report of the Associated Industries of Massachusetts just rendered, as the result of a broad survey of employment in the past two or three years. The recommendations in this report emphasize that from now on employers should take more interest in what is happening in their companies along the lines of unemployment. They go further and state that when men are put out of work through technological processes in a company, it is the duty of that company to re-train the men so displaced for other positions in the same company, instead of discharging them. They recommend further that the policy of not hiring men beyond a certain age should be re-studied with a view to changing it and making conditions less unfavorable to older people seeking work. To make up for what might be termed loss of efficiency in these fields the report urges employee training methods. It makes this significant statement: "The source of the unemployment problem is the individual employer, and therefore, any action or means to alleviate unemployment should be similarly individualized."

Significant, also, is the newer attitude of employers relative to the suggestion of shorter work weeks to take up the slack incident to over-capacity. Associated with this effort is the improvement in social conditions relative to the working of women and minors. Evidence of the forward thinking of employers in this line is shown in the effort being made by the Cotton Textile Institute to abolish the working of women and minors at night in cotton mills. In the fall of 1930 such a program was adopted for both humane and commercial reasons. It was felt that the curtailment of production in this way would stabilize the industry by eliminating "a very low wage fringe of workers." From an economic standpoint this policy is

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sound in that over-production is cut down and costly price fluctuations reduced. Last March the program was in force in 80% of the mills. In the summer of this year the percentage of mills accepting same rose to 88%. Unfortunately, at the present time there are a few mills which refuse to accept the policy, and the result of their refusal is alleged to be handicapping the more enlightened elements severely. Means are being sought to force the small minority to fall in line and if this can be accomplished a great step forward will have been made.

There is no longer the great objection to a shorter work day, especially if such were on a nation-wide basis, so that no State or section is favored in competition for business by having so-called more liberal laws than other States. In certain areas of the country competitive conditions as between neighboring States are serious, and any State that adopts restrictive legislation in regard to hours and working conditions is apt to suffer as against States which do not. Thus, the textile and other employers of Massachusetts claim they are at a disadvantage even against the other States in New England, and this in the face of the fact that the whole of New England only occupies 2% of the area of the United States. Some of the most distressing cases of unemployment and family catastrophe in New England have been caused in the past few years by the migration of industry from one section of the country to another, solely on account of competitive advantages in other sections.

Unemployment Reserves and Unemployment Insurance

From labor groups, official commissions and others especially concerned with social welfare are coming many proposals that have to do with the general field of unemployment insurance and reserves. Labor which formerly was opposed to unemployment insurance is now favoring it. The fundamental assumption under unemployment insurance seems to be that unemployment is not to be considered as preventable and, therefore, provision should be made for it. On the other hand, the proponents of unemployment reserves consider that the establishment of reserves is a powerful stabilization measure that would operate to make employers develop ways and means to prevent unemployment. That is the basis of several bills that are being introduced in our legislatures, of which the Wisconsin Bill passed at the last session of the Wisconsin legislature is an outstanding example. Several Commissions on Stabilization of Employment authorized by State legislatures and appointed by Governors are working along the line of unemployment reserves provisions. Such a proposal will undoubtedly be introduced at the forthcoming session of the Massachusetts legislature as the result of a recommendation of the Massachusetts Commission on Stabilization of Employment, of which Dr. Stanley King, President of Amherst College, is Chairman. An interesting development in this field is the work of the so-called Interstate Committee appointed by the Governors of Massachusetts, Rhode Island, New York, New Jersey,

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Connecticut, Pennsylvania and Ohio, the seven industrial States of the Northeastern section of the country. This Committee has agreed on an unemployment reserves proposal that may be made the basis of legislative action at the next session of the legislatures of these States. This action, if taken and approved, will remove to some degree the objection that, unless any burdens on industry resulting from legislation of this character are generally applied, unjust inequalities in competition for business may result.

There is another viewpoint of considerable weight that is having its effect in molding opinion both of business and the public generally. Regardless of how soon we may emerge from the depths of the present depression, it is thought by many that we shall have unemployment persisting in more or less serious form for a long period. Consideration of the unemployment problem may, therefore, be continuous and progressive as a social and economic necessity. It seems certain that, unless preventive measures are established to reduce the severity of future unemployment, expensive palliatives through political action will result.

If this depression teaches us the necessity of developing preparedness steps to attack the problem at its source, it will not only take on a trait which will distinguish it from its predecessors, but will exert as well a marked influence on business cycles of the future.

Twenty-seven Years of Business Investment 1832-1859

THERE have come to Baker Library, from two different sources, six account books of modest proportion which have, packed within their pages, the complete record of the investments of one of Boston's outstanding citizens — outstanding both for his ability and his public spirit. His well-ordered accounts should constitute a mine of information for research students. Even the most hasty review of the records brings to light information of great interest.

In 1827 this man returned to Boston from Canton, after twenty-five years of active participation in the China Trade. He was then worth over $800,000 — considerable wealth for that time. During the following twenty-seven years he was to increase that wealth to over $2,000,000. His capital was distributed through eight different forms of investment. The accompanying chart shows the relative growth of these investments throughout the twenty-seven years. From the pages of the accounts might be learned the rate of return for every share of stock held. He himself summarized the informa-

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