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A WORLD ADJUSTMENT NOW NECESSARY

I wrote to several friends to help me out with this issue of *The State's Voice*. Read the articles and see what bewilderment a fair cross-section of North Carolina thought shows to exist in the minds of the people. Editing those articles convinces me more than ever that the administration, its critics and its friends alike, have not mastered the abc's of economics.

Twelve days ago I went to a Fayetteville hospital for a diagnosis. A true diagnosis is based upon facts, whether those facts be pleasing or displeasing. It is the diagnostician's business to discover the facts, the very basic ones as well as the superficial, and to render a true judgment based upon them. It was not any business of mine nor of his as to whether those facts should prove pleasant or not.

A World Diagnosis Needed.

The need of the times is a diagnosis of world economic conditions—a diagnosis utterly impartial, biased by no preconceived notions. I have been rendering such diagnoses quite a number of years. I have written few prescriptions and have taken comparatively little interest in those written without being based upon facts revealed by an impartial diagnosis. I have declared, time after time, that all that the administration did the first year was to recognize the fact that we were lost in an economic wilderness and to try to make conditions as comfortable as possible while we should be finding our way out of the wilderness, and that the only foot of progress gained was that of the beginning of economic planning, however faulty the planning thus far may have been.

Six years ago, when the world was prosperity crazy, I diagnosed the economic condition of this country. I could scarcely get any one to read that diagnosis. Yet the events followed, almost to the letter, the course I predicted they would take. The diagnosis is in black and white to be perused by any one who will read it. Its statements, to the minds of the superficial, who proved to be a multitude, were pure foolishness.

A year or two later, I discussed perpetual favorable world trade balances and found them not only valueless to a country, but actually having the effect of a gift of the amount of the favorable balance to the other nations of the earth. That view was generally considered silly; yet the world has now virtually agreed with it, though it cannot remember it in practice after being so long a slave to the contrary conception. It would be a bold economist or statesman who would today contend that an international trade balance, particularly one against the whole world, can be paid otherwise than in goods and services. Yet only four years ago I didn't find a single economist or statesman in North Carolina who fully accepted the thesis. The leading editor in the state frankly stated that he didn't know what I was talking about or words to a similar effect. Our leading statesmen of this year 1935 said that such a trade balance would get paid in *some way or another*. If he thinks so today, he would just as well be in Raleigh practicing law.

When the dollar was devalued in gold, I was pleased, but immediately stated that it would not affect the price of any goods except those entering export trade, unless there should be more dollars put in circulation. The devaluation of the dollar proved the salvation of the cotton and tobacco growers, though that salvation has been assisted by the payment of bonuses for decreasing the crops. The billions poured out by the government sufficiently accounts for increases in wages and in prices of non-exportable commodities. Those borrowings have increased the number of dollars in circulation and have produced a degree of inflation that the devaluation of the dollar in terms of gold failed to produce. If the banks had not loaned the government those billions of dollars and were keeping them in their vaults, as they very probably would be, the 59-cent dollar would buy today more than the 100-cent dollar was buying in the spring of 1933, except in the case of those commodities whose prices have been affected by international exchange rates.

A World Condition Imposed Upon the National Condition.

The maladjustments in the national economic body are largely the same as in the days of those earlier diagnoses. But the world condition has changed. Of course, the world change was being effected all the while. But the progress of that change has reached that stage that makes it now the first matter of consideration by each nation and all nations. The problems of 1935 are more numerous and more complex than those of 1933. Those of 1933, many of them at least, cannot be solved till the newly developed problems have been cleared away. Illustrating, I felt handicapped before by the cataracts fast clouding my eyes. But cataracts are small matters beside *angina pectoris* to which I am now declared to be subject. It was a simple matter to solve the national economic problems existing six years ago if they had been identified and if the economic and political doctors had known the *abc's* of the science. But now the world condition has changed, and treatment of the two sets of conditions can at best only proceed simultaneously. Yet if the new world condition shall not be recog-

NOTICE.

Please read the article at the top of page 4.

nized for what it is and treated as such, all the efforts of the new deal or any other deal to produce prosperity will prove as fully bewildering to observers as have the acts of the last two years proven to our contributor of the second-page article.

Former Conditions Cannot Be Restored.

The gentleman last referred to would much like to see the days of full individual liberty of enterprise restored in their full bloom. That is as impossible as returning to the day before yesterday. Turn to Claude Moore's story of a Sampson county lad who over in Tennessee exploited the rich virgin lands and had reached that stage of munificence that he could have taken from him by the Yankees a vast store of goods and see several scores of slaves set free. That cannot happen again. Very probably that great plantation today is included in the redemption scheme of the Tennessee Valley Authority.

Individuals can no longer exploit virgin lands and their fellow beings at will. And the time is approaching, if not at hand, when one bumptious nation cannot exploit other nations.

Facts are stubborn. What has been could well be at earlier times. For instance, I have been ordered to run on low gear. I might get by a short while on high gear, but one day the whole machine would smash up. I would better not try to dash a hundred yards as I used to do when I was about to miss the bus at Pittsboro. That is the fact whether I like it or not. And there are certain facts that America would as well recognize now as later, unpalatable as they may be. She is no longer master of her own fate and able to exploit her own resources and other nations at will.

A Leveling Up of National Living Scales On the Program.

For a long time America was an aristocrat among the nations. She boasted of her superior standard of living; her money was the dearest in the world. She had unbounded resources and exploited them without knowledge or conscience. Mass production in industry and in agriculture was first mastered here. America sat high and proud among the nations and received tribute from them as her right. When we deigned to buy from others we demanded and obtained goods priced in terms of brawn, skill, and possibly actual capital, two or three units for one. A Mexican dollar, which in China, because of the small per capita circulation, would buy more labor or goods than two gold dollars in America, would buy only forty cents worth of American goods. Not only through terms of exchange, all

in our favor because of value's being based upon content of the coin, but through the raising of tariff walls, we forced producers of foreign goods to render immense tribute to us as values are measured by the true measures of brawn and skill, time and capital, to produce commodities.

But America and the few other favored exploiters of other years can no longer ride their high horses with their former arrogance. Machinery and mass production are now common heritages, except among the more laggard countries. Labor readily trained is abundant. And as in the case of the Southern cotton mill operator of forty years ago in comparison with the Northern mill owner, the Japanese, the Chinese, and similar factory operators may enrich the former half-starved population while still securing labor at only a fraction of what it has been costing American mills. The consequence is, America can no longer successfully compete with such nations in the lines of manufacture they have already entered. But they will enter all or purchase what they need of the articles they choose not to produce from nations which produce them upon equal terms of brawn, skill, and capital.—And the world is learning that capital is only a product of labor applied to materials and that no nation is bound to pay another nation three-fold prices for it. If that nation hasn't the material needed, it can get it from the nations that do have it and which produce it upon an exchange basis similar in terms of brawn and capital to its own.

Thus all nations, except the most backward, are becoming more self-sufficient and more independent in their foreign trade, and till the living standards of the nations are more evened up the advantages in foreign trade will lie largely with those nations which have formerly been compelled to cultivate habits of economy—of the bare eking out of life. Even when wages are paid in the same units of value, for many years the people of such nations, when they have secured the necessary machinery and acquired the comparatively little skill needed to operate modern machines, will be able to underbid America for what little foreign trade shall be left.

Foreign Trade Is No Longer an American Dependence.

The consequence is, America need no longer depend upon foreign trade. Mr. Snider need not attribute the ultimate loss of our foreign cotton market to the Roosevelt policies. Those policies may have hastened the loss of that trade. The time was at hand. As he says, there is plenty of cotton land in other countries. People to whom the price of one pound of American cotton is a day's wage will no longer consent to buy at any such price in the real measure of compensation—that of brawn, time, and capital. America may count upon producing little more than the cotton needed for home consumption.

If America gains back her foreign cotton market it must be on a world basis of cost, and that not in money cost, as exchange rates have gone, but on the true unit cost of brawn, skill, and capital expended. A person who can produce five pounds of cotton with one day's labor in his own country will no longer consent to pay the income of the one day for one pound of American cotton.

Similarly, the cheap labor of the nations as fast as they are equipped, as Japan already is in the textile business, will not only supply their own people with manufactured commodities but take the trade of other nations from America. Japan is already doing this in textiles, and despite high tariff walls can compete with our own people right here at home. America, it may be granted, has already practically lost its foreign trade in raw cotton and in textiles.

The one means to regain it is to reduce cost levels to that of the cheap-labor and cheap-money countries. That would necessitate the reduction of all other wages, salaries, and prices to the same level if the American cotton growers and textile operatives are to live. But that is a cost too high to pay.

America Can Still Prosper, But Many Adjustments Must Be Made.

With the production of goods and agricultural
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