

## WHAT IS AN ECONOMIC SYSTEM FOR?

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Book

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In this selection, economic popularizer Stuart Chase (1888-1985) discusses the economic problems facing the United States in 1932 during the depths of the Great Depression of the 1930s. He argues that although the American economy has now solved the problem of mass production, it has not yet solved the question of distributing the consumer goods of the modern economy. He points to inadequate distribution during the depression of 1920-1921 and the onset of the depression of the 1930s as two examples of this economic gap between mass production and mass consumption, now revealed as a central weakness in the generally prosperous economy of 1922-1929.

Chase argues that the only way to bridge this gap is to increase mass purchasing power of the broad American public. The common answer to the question, What is an economic system for? is that it is a game of power, prestige, and profit that serves a broader social purpose only as an afterthought. Rather than continuing to allow waste of economic resources, he says, the United States should focus on the real purpose of economic activity, which is to provide food, clothing, shelter, and comforts in the quantities that resources and technical knowledge will permit. In the midst of the 1930s depression, Chase thinks too many resources are being wasted and the human potential that can be unleashed is suffering as a result. Chase argues in 1932 that the economic and social policies of the 1920s are no longer working and new ones are called for. The title of the work this excerpt comes from, *A New Deal*, would become the term used for the policies of President Franklin D. Roosevelt (1882-1945), the Democratic Party, and New Deal reformers during the period beginning in 1933.

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### PRIMARY SOURCE DOCUMENT

Excerpt of *A New Deal*, by Stuart Chase

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John Maynard Keynes tells us that in one hundred years there will be no economic problem. He is probably right. We have already largely solved the problem of production, in the sense that the nations of America and West-

ern Europe are equipped to produce more than enough to go around. In a few years Russia will undoubtedly join them. We have left the economy of scarcity behind and entered the economy of abundance—though very few of us realize this, and most of our thinking is still in terms of scarcity economics, a cultural lag which we shall presently discuss. A billion and a half horses of mechanical energy, added to the time-honored stock of man and animal power, have at last put us in the position where, if we care to concentrate our energy, we can raise more food than we can eat, build more houses that we can inhabit, fabricate more clothing than we can wear out. Only by wasting and even deliberate destruction—such as the burning of cotton, corn, and coffee—can we dispose of the present output under the prevailing price system.

Distribution, the other wing of the economic problem, is *not* solved, as the present depression bears eloquent testimony. We can pile up the goods in the warehouse with an efficiency hitherto unknown to home sapiens, but there they stick. We cannot get them out in sufficient volume either to keep the productive plant functioning steadily, and thus economically, or to keep the general population adequately fed, sheltered, and clothed. At times—as in America from 1922 to 1929—the flow, while far below capacity, leaving many millions on the ragged edge, is relatively better. At other times—as in 1921, and from 1930 to the present date—it is totally inadequate. Warehouses bulge and children cry for food.

That we have solved the main outlines of production—the inflow—does not help us much. Unless distribution—the outflow—can be directed, the misery which springs from economic causes will tend to continue unabated. Though we have entered the economy of abundance, its practical effects must be confined to certain classes in certain periods called "prosperity," unless the dam which impounds the warehoused products can be channeled. Strangely enough the dam, stubborn as it is, is made of paper. Goods do not flow out because there is insufficient purchasing power available to call them forth. Gradually students of economics are being forced to the conclusion—and this depression has helped to force them—that a dependable supply of purchasing power provides one basic answer to the riddle of distribution.

Why is purchasing power inadequate, why do we Western peoples fail to gain the full benefits of an economy of abundance; why must we go through such scarifying periods of mental panic and physical deprivation as the present? How can they be avoided? ...

Certainly one fundamental cause of the failure of distribution is the prevailing attitude towards the methods whereby we are, if lucky, fed, sheltered and clothed. What is an economic system for? By and large it is regarded either as a means to achieve power and prestige, or as an amusing game to be played, the counters being those same pieces of paper which form purchasing power. Says John Dewey:

The psychology and morale of business are based on trading in insecurity. They are criticised by serious moralists as if the animating spirit were that of acquisition. The accusations do not reach the mark. . . . It is the excitement of the game which counts. . . . We hunt the dollar, but hunting is hunting, not dollars.

The element of gambling enters into even the soberest and most orthodox of financial calculations. Profit is the reward of *risk*, the classical economists tell us. When the market is not rigged in advance, this is often true. Risk means something not sure, upon which one takes a chance, in short, a game.

It is assumed, in a left-handed way, that in accumulating the power, or in playing the game, we contrive somehow to grease the wheels of industry and serve a social purpose. Occasionally such is indeed the case, but normally this reasoning is pure rationalization. What man, starting in business, asks himself with any care whether the work he proposes to do will strengthen or weaken the economic system; whether it will serve a social function; whether it will increase or decrease the evil effects of the business cycle; whether it will choke or expand the flow of purchasing power? Such questions are normally undreamed of, and are displaced by others: is there money in the venture? or, is there fun in it? . . .

The cardinal questions simply are not asked. Hardly anybody bothers to inquire what an economic system is for. Certain rules and procedures have grown up. These are taken for granted, and within their limits, those responsible for directing economic activity, primarily the business man and the banker, attempt to satisfy their egos and appetites, and to play their games. This would be all very well if there were a divine providence looking after the system, insuring, while men sought to amuse themselves, an automatic and dependable output of goods. But providence, we ought by now to realize, displays not the slightest interest in steering a mechanism men neglect.

Out of the human need for nourishment, a mechanism has been established simple among handicraft peoples, exceedingly complicated among peoples of the machine age. In broad outline it may be compared to the human body, where the cooperation of millions of cells is essential to the efficient functioning which means health and life. When a group of cells refuses to cooperate, becomes unduly imbued with what might be called anatomical rugged individualism, we have a cancer and, in the end, death. Persistent irritations are often responsible for cancers. Fortunately the body has an automatic nervous system which normally keeps the cells in order with little or no conscious control. The economic body has no such biological protection; it lies defenseless against abuse. . . .

What is an economic system for? We return to the original point. Is it . . . primarily to be manipulated for some individual's profit, power or amusement? This brings us to a very important consideration, one frequently overlooked by critics of the established order. It is not the profit which the

fortune hunter actually takes which makes the bulk of the trouble; it is *the waste and maladjustment he creates in trying to take it*. For every success there are scores of failures, and most of the failures are responsible for at least as much dislocation as the successes. In an economy of abundance, properly organized, we could probably stand the cash drain on purchasing power caused by the profiteers and absentee owners. What no system can bear indefinitely is the continual roweling of its vitals by those who are trying to get rich. It makes little difference whether they succeed or fail; the operation is disastrous in either case. If we took all the income away from the wealthy and distributed it to the rest of the population, the standard of living of the latter would be increased, according to Professor Bowley, only some ten percent. But if we could eliminate the gyrations of those who are trying to become wealthy, we could abolish poverty and double the standard of living, virtually over night.

The defenders of the existing system roll their eyes to heaven at the thought of limiting these gyrations—with qualifications, perhaps, in respect to the more outre forms of racketeering and graft; but speculation they defend as providing some mystical variety of balance wheel. The pursuit of individual profit, they insist, is the force which keeps the mechanism going; progress, civilization itself, would collapse without it. . . . [This] is nonsense. Such activities throttle genuine progress.

Well, what is an economic system for? It is to provide a means, without excessive waste and loss, whereby those who live under it may eat. It has a function, and the function is to provide food, shelter, clothing and comforts in as dependable and adequate quantities as natural resources and the state of the technical arts permit, just as the function of human physiology is to supply every cell with enough oxygen and nutriment. When used as a channel for personal aggrandizement, a system's function and meaning collapse. It becomes an industrial whirlpool, throwing out a certain amount of goods and services as a byproduct, but susceptible to frightful stoppages, reverse twists, and even complete draining out. We have come in 1932 perilously close to the last.

From the functional point of view, economic activity takes on an entirely new meaning. It becomes at once more serious and less omnipotent. Order, discipline, the consciousness of definite social aim are needed to insure a dependable flow of goods from the earth to the ultimate consumer, but when that discipline—and it is largely one of engineering—is established, economic activity, with its four to six hours of work a day, becomes, if not a minor, at least a subordinate consideration. More important will be the problem of how to live; how to use fruitfully one's leisure time; how to improve the biological stock; how to educate; how to love and marry without the emotional miseries which now beset us; how to develop the arts; how to get the most out of life. These are the real problems of a civilized people who have yoked a billion of mechanical horse power. To go on stumbling through economic pits and mires, under a sky recurrently black with the horror of insecurity and even starvation, is tragic and needless waste.