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One Way Out of Depression

Conferences and conversations since the fall of 1929 on the cause and cure of business depression by business prophets and business doctors of the leading commercial countries have been apparently fruitless. Their diagnosis does not seem to have advanced beyond the statement that the world is suffering from a variety of ills due to overfeeding, underconsumption, malnutrition, poor circulation, imperfect functioning, etc. Their politically partial remedies have been of little help.

The world is sick; even as nations and individuals are sick due to conditions

proceeding from the World War. Recovery will begin when these nations and their nationals re-establish business policies and practices that are natural and normal, economic but impersonal. Real business progress is growth from within, from the smallest parts, like all life processes, and cannot be started from without by conferential fiats, etc. Fewer politically-motivated international recovery proposals, and greater courage, visions, and understanding of individual business men will start this old world to function again as any right-minded physical organism should. And that's just what the world is. Let any or all of its two billion parts, whether grouped as tribe, clan or nation, suffer, and it suffers accordingly. The world will be well and strong if there is poise and balance in its parts.

"Know Thyself," was once the ideal of a great civilization. It is as needful now as in the days of Socrates. We must all recover, therefore, poise in our daily living. We must re-establish moral foundations for human conduct. The Golden Mean as well as the Golden Rule must come back again into our lives. Without these two, our surveys and statistics,

our machines and technical fitness, seem without point and purpose. It is of little profit to acquire riches, information and technique, if their misuse follows through lack of understanding.

Curs is a business world; was, is, and always will be. Economic principles have governed human conduct since the dawn of trade. In the beginning, trade was primitive and personal; with the passing centuries, less so naturally. This is in line with man's own development; with his more complete understanding of himself and his social environment. Whenever the latter, however, expands too rapidly, there is a tendency for trade to revert to the more personal and profitable way of more primitive times. An overrapid development of transportation and communications among nations, for example, due to scientific interest and invention, to commerce and conquests, has overtaxed in recent years individual and group capacity for disinterested service and cooperation; has overstrained the gift "to see ourselves as others see us." International understanding is only effective if based on mutual understanding. And understanding of others depends on understanding of self.

World depression will not be lifted merely by the removal of fear or by artificial trade stimuli. We must go deeper than that. We must build anew by wiping out, or nearly so, much that has been done in these World War reconstruction years. If we are to get at the root of this world-wide depression we must courageously propose a scientifically adjusted world-wide program of liquidation to pre-war levels, or nearly so, of wages, profits, values and prices. In these levels we shall find the base from which business can again develop in an orderly and dependable fashion.

We must forgive much and forget even more. Debts and promises and many of the channels created in these recent years for their clearance must be remade to conform to real conditions; and remade understandingly by disinterested business experts. Neither political considerations nor unwarranted social ideals should continue to retard and deflect the natural channels and movements of trade. National and regional groups should be encouraged to develop without political pressure their natural business. Real cooperation among these groups will then become possible. International conferences can then serve for mutual advantage. And international trade channels and controls set up by these conferences will function automatically, therefore, helpfully. But until the United States and Mexico, China and Japan, France and Germany, and similar pairs, can carry on their economic exchange with friendly understanding and mutual profit, how futile these larger accords to which we aspire, burdened with national selfishness and individual prejudice.

Causes of Business Cycles

ROGER W. BABSON

The business cycle is in reality a curve of man's attitude toward life and his neighbor. Starting from a normal condition of business, men strive to be useful and a period of business improvement naturally develops. Success breeds greater success and soon a period of business prosperity is being enjoyed. Prosperity, however, always breeds carelessness, inefficiency and unrighteousness. The desire to get something for nothing becomes the dominant incentive. A period of business decline is the inevitable result. As persons see their profits fading away, they become panic stricken and throw over their holdings of commodities and securities. Creditors sell out borrowers which add to the debacle and finally a period of business depression follows.

How does a nation get out of a business depression? Acts of Congress, Governmental Decrees and various "plans" may help; but *fundamentally* the nation recovers only as individuals recover, which means when we change our individual attitude toward life. In the early part of a business depression the feeling is that it will be of short duration. As a result people continue for a while along the same business and personal lines without any changes. The spirit of speculation, which is so rampant during a period of prosperity, still continues. This accounts for the strong rallies which always follow the first great drop in prices. People still hope to get something for nothing and make one or two or perhaps three more attempts to "get in right" and recoup their losses.

Finally, however, people become discouraged. After entering the markets to buy several times at variously lower levels, they still see commodity and security prices go still lower. Then they finally give up and conclude that speculation is dangerous and useless. (Of course during these deflated conditions of a business depression is the real time to speculate rather than during the inflated conditions of prosperity; but there is no use telling people so.) Men then revert to their own businesses and make up their minds that they must depend upon their own efforts to work out. As this new spirit becomes general, honesty takes the place of dishonesty, efficiency takes the place of inefficiency, and a desire to be useful supplants the old desire to get something for nothing. In place of a desire to give as little as possible in service or materials for a dollar, there develops a new desire to give as much as possible "pressed down and running over."

Hence it is evident that a nation emerges from a business depression

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It must have been very pleasant indeed to have been able to study business during the school year 1931-1932 unimpeded by any active business engagement or connection. To say that business in general during that period was in a chaotic condition is almost an understatement. A rational study of business, made without the tremendous handicap of actual business pressure, should have yielded information the value of which it would be difficult to compute. While business men in the last two years have probably discovered a great many things they did not know before—or if they did, gave them no consideration—it has been a very expensive lesson for everyone and has proved fatal to many. The student, on the other hand, had the opportunity to obtain the same object lessons, brought home and emphasized by daily occurrences in the business world, and at no greater cost or expense than usual. If present-day students have absorbed these lessons, and will profit by them, they are fortunate; it is not often that such valuable material can be obtained at so low a price.

not so much through legislation, as through a "change of heart" by the people. This must include all groups—wage-workers and employers, farmers and manufacturers, bankers and merchants. As these groups each in turn—through lessons of adversity—learn to repent and turn over a new leaf, then prosperity begins to return. Furthermore, the more intense the depression, the sooner this repentance takes place; while the less intense the pain, the longer men hold on to their old ways and the longer the depression lasts. This is one of the reasons underlying the Area Theory so well illustrated by the Babsonchart.



Conference in Factory Management

Business Training

The morning period at Babson Institute, from eight-thirty until twelve-thirty, is taken up by small group conferences, each under the supervision of an instructor. The limited size of these conferences not only permits each instructor to know his men well, but also allows ample opportunity for every student to be questioned or to discuss any problem which he may wish to present. This is undoubtedly an ideal system for teaching and learning. It is eminently flexible to whatever conditions arise in each course, be it in the Division of Production, Distribution, or Finance.

The conferences in Factory Management and Industrial Relations which are pictured on these pages are included in the Production Division in addition to two courses in Psychology. The first-named course calls not only for conference discussion of management problems, but for field work as well. Each week a trip is taken to some factory—the Ford Motor Company, American Woolen Company, General Electric Company and others—and reports must be written about these factories. This is valuable training. Industrial Relations calls for a review of all the factors which enter into employer-employee relations, the multiple problems connected with this important subject and the common-sense attitude in the handling of production difficulties and personnel work.



Conference in Industrial Relations



Conference in Corporation Finance

The Corporation Finance Conference comes in the Division of Finance, along with Accounting, Taxation, Investments, and Statistics. The many ramifications of Finance are discussed in this division- the organization and analysis of companies, methods of Accounting, statistical problems, the practical workings of the markets and other subjects which are of great importance in business.

The Distribution Division includes the conferences in Advertising Management as well as those in Business Law, Marketing, Economics, Forecasting, Sales Management, Sales, Advertising, Business Correspondence, and Public Speaking. Several field trips to publishing houses and produce markets are taken. Sales demonstrations are given by the students in products ranging from tooth brushes to Rolls-Royce cars.

There can be no doubt that the field of business is thoroughly covered by the courses in these three divisions. Every student learns not only the fundamental principles which underlie each field but he is especially well grounded in the practical side of the subjects in order that he may be fully aware of what lies before him after graduation.



Conference in Sales and Advertising Management