

POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL

# Idleness Is the Mother of Misery

The Department of Labor officials, testifying before the Senate Committee on Labor and Education, brought out prominently the danger now facing this country by reason of non-employment and the holding off to await the lower trend of prices.

Capital, Industry and Labor must forthwith co-ordinate all their efforts to employ everybody, everywhere, in order to avoid the misery of idleness.

James Sheldon, economist and financier, of Lee, Higginson & Co., International Bankers, issued a pamphlet dated September, 1914, which follows:

**RICHES, like responsibilities, seek the shoulders which are able to carry them**

### MERCHANTS OF INTEREST

Production is accomplished by tools. In the civilized world no labor is employed without capital. Capital is accumulated savings—surplus acquired by former work and conserved by the prudent; it is the tool, the implement, without which nothing can be done in the civilized world. In all sorts of ways, capital is one hand; labor is the other.

**CO-OPERATION.**—About half a century ago the world discovered that intercommunication, steam and electricity make larger communities, larger undertakings, larger demands for capital, and the world invented the corporation with limited liability. The corporation was formed for co-operation in industry, in endeavor and in capital, and depends for its existence on large masses of money from many sources.

**THE NEED.**—This was the urgent need—to utilize all the stream which flows from the continent of man, the golden river which turns the wheel of human progress.

**THE BANKER.**—Therefore the world set about locating the little wells of capital, leading them through rivulets, streams and rivers, into the great reservoirs. Thus arose the need for the Investment Banker to locate the sources of capital. His function is to serve in the double capacity of first adviser, conservator of the world's capital, and second banker to the corporation, supplying the sinews. In his dual capacity he is as productive as the farmer who grows wheat, or the transporter who brings it to market. In stimulating and assisting to save his surplus, the banker has rendered a third service; he has added one more man with a stake in the country; one more conservative force. The dangerous man in the community is the one with nothing to lose.

**A MAKER OF VALUES.**—He adds materially to the world's welfare as a producer. Human usefulness may be divided into production, distribution, conservation—three functions equally important, three legs to the tripod of values. We are witnessing a destruction of values unprecedented in the history of the world. Europe has taken its surplus and burned it; therefore, America, a nation borrowing nation, must now finance itself.

**WASTE.**—We live in the richest country in the world, and the most extravagant. It is estimated that America pays to Europe \$25,000,000 a month, interest and dividends on borrowed money; and the largest bank in America estimates that America pays for pleasure vehicles alone \$500,000,000 annually, and then goes, hat in hand, to the peasants of France to get American railways financed.

**SURPLUS.**—The world has urgent need for the use of your surplus and is willing to give you ample pledge for its use and higher interest than can be remembered since the time of your grandfather.

**THE SUPREME QUERY.**—The great puzzle to humanity has never been to create, but to conserve. The ever present question is "How shall I keep my surplus?" "How shall I provide for my family when I am gone?"—and strangely enough, even the prudent, the careful, have been ever ready to risk that surplus in all sorts of doubtful ways, financing all kinds of schemes in the hope of great profits.

**THE FUNCTION OF THE INVESTMENT BANKER.**—It is the function of the Investment Banker to see that nothing be lost; to make a dollar and six cents grow in safety where only a dollar grew before.

**CIVILIZATION.**—A civilized community is a group of specialists, each one doing what he does best and in the measure of his readiness with which a community seeks and accepts the advice of experts—takes counsel of experience.

**A BROKER.**—A broker is one who executes your orders for a consideration without responsibility. **THE PROFESSION OF A BANKER.**—An investment banker is one who sells with his recommendation a bond which he owns, having purchased and paid for it after critical examination. He serves the lender with his advice, his experienced organization, his expert staff and his financial resources. His feeling of responsibility continues until the bond is paid, principal and interest.

**MERCHANTS OF INTEREST.**—He serves the borrower by broadly distributing his bonds throughout the world, placing them with the ultimate holder, and by maintaining a market for the securities. He extends the credit of the corporation, so that if it comes again into the money market its borrowing is facilitated.

**THE FUNCTION OF THE INVESTMENT BANKER IS TO CONSERVE.** He is like the captain of a giant liner, on the bridge, laying the course, deciding how to make the voyage without shipwreck and disaster, he uses the seaman, the lookout, the engineer, the navigator, but the decision is his, and on his prudence depends the safety of the ship. On the prudence, wisdom and exactness of the banker depend the happiness and welfare of the community.

**THE MANY FACES OF A SECURITY.**—This making a security is one of the most difficult problems, requiring the consensus of opinion of many experts, many points of view—the engineer to value the physical property and its earning power; the opinion of the soundest lawyer to draw the mortgage so that there may be no cloud on the title, no weakness in the bond, no loophole for the unprincipled.

**NINETY-FIVE VALIANT NOES.**—Assembling these opinions, the banker sits in judgment and is obliged to say "no" to 95% of the undertakings proposed. "No, this is not sound; it should not be financed."

**THE INSURANCE COMPANIES** advertise that only 5% of those who die leave an estate. Ninety-five men make money, only five adequately save, 5% provide for the future. Production is nineteen times greater than successful conservation.

**THE MEANING OF MONEY.**—In the civilized world there is no employment without money. In giving to the world your savings to use, you are giving employment to men. **Portia says:**—"Twice blest, it bleases him who gives and him who takes."

**SEEK A SPECIALIST.**—You desire to make money safe and useful; to make it earn interest which will be paid promptly, together with safety of the principal; you seek an expert for your bridge, a physician for your illness; a banker for your surplus; you quired reputation as the soundest banker, the keenest judge of values, the most successful merchant of interest. Take his opinion. A celebrated banker once said: "A lamb is one who invests first and investigates afterward."

Before you purchase securities let your banker make the most critical investigation. Riches like responsibilities seek the shoulders which are able to carry them.

**IN EVERY COMMUNITY THE CONSTRUCTIVE FORCES ARE THREE: PRODUCTION, DISTRIBUTION, CONSERVATION.**

Capital must be made available to industry, so that industry in turn can properly employ labor. Capital must be made available to industry at a reasonable cost, so that it will be an incentive to industry to develop plant and equipment to the highest mechanical efficiency, and in that way labor will be able to obtain a larger compensation for its efforts.

Not many years ago the prevailing idea was that machines and equipment interfered with labor's receiving fair compensation for its efforts; and in a good many uncivilized countries when machines came into existence the laboring man thought that they were going to replace labor to the extent of eliminating the laborer altogether; and, in many instances, went to the point of destroying the machines, looking upon them as competitors. Civilization, however, has developed the true meaning of machinery and equipment, so that we now regard them as the greatest aids to labor. Under the old system one man making shoes by hand was only able to turn out one pair in five days, whereas under the present system any one man with a machine (or five men with five machines each one participating in the making of the shoe) can turn out shoes at the rate of five pairs of shoes to one man per day. In other words, the installation of machinery adds materially to the man's production, and in that way, instead of receiving compensation for making only one pair of shoes in five days, he receives a very much greater compensation for his increased output.

The return to the manufacturer is what regulates or what should regulate the compensation paid to labor. Of course, the necessary upkeep and maintenance expenses for the equipment, and the interest on capital invested, etc., are always taken into consideration.

It is of the utmost importance to labor to make sure that the industry employing it is equipped with the best, most up-to-date machinery; that the installations are of the highest order; that it should be possible for one man plus equipment to turn out a great deal more than one man minus equipment would turn out; that the greater the output of the one man plus the machine, the greater the compensation the man operating the machine, or employed in the industry having the equipment, receives for his services.

Furthermore, the installation of the most up-to-date plant and equipment means a lower cost of production, and therefore a lower selling cost, so that the installation of the most up-to-date equipment in all plants, the construction of the most up-to-date plants and the employment of capital in the industries of the country have a direct bearing upon, in fact, ARE THE BIGGEST FACTORS IN, THE PROPER EMPLOYMENT OF LABOR.

It becomes necessary, therefore, that labor not only expect a living wage, which it is fully entitled to, but also that capital be invested to the utmost extent in plant and equipment. Thereby making these plants and equipments larger producers, and securing for itself better wages and better working hours.

### THE PURPOSE OF THIS PUBLICITY IS:

- 1st. To emphasize upon capital the importance of the free movement and investment of the world's funds in plant, equipment and enterprises, which will yield a good return on the capital invested, and in that way make the investment safe.
- 2d. To emphasize upon industry the necessity of providing the best plant and equipment in order to increase the productiveness of the laborer's efforts.
- 3d. To affirm that the fear of overproduction should be eliminated by proper commodity-banking facilities.
- 4th. To affirm that we cannot sell our goods to foreign countries without buying commodities in return from them—that nations cannot continue to buy goods from us unless we buy goods from them.
- 5th. To affirm that, last but not least, we must commence immediately our peaceful operations—namely, to build homes, build plants, modernize farms—in order to provide employment for everybody, everywhere.

### Subdividing capital, industry and labor:

**CAPITAL** represents the fixed investment of wealth, receiving a return in the way of interest on bonds and dividends on preferred or common stock. The investing of wealth and receiving a return on the wealth invested is what the term "capital" generally stands for.

The capitalist is the man who has no interest in the enterprise beyond that of receiving the best return possible for the accumulated wealth that he invested, whether that wealth be his own or he is just the middleman, like the investment banker, who sells securities. He is responsible, nevertheless, for the securities sold, and therefore is always interested in making sure that the holdings of the investors who trusted to his knowledge of affairs (and incidentally his own holdings) receive a good return on the wealth invested.

**INDUSTRY**, or what might be termed the management, simply means the farmer, manufacturer, merchant or jobber—getting together the raw or half-finished material, combining these materials, labor and capital, and hammering them all together in a product which becomes marketable in the world. Industry depends upon the use of capital in the construction of plants and equipment and to carry commodities from time and place of production to time and place of consumption.

Then, too, industry must depend, of course, upon executive management with expert knowledge of the particular products handled by the particular industry. Executive management of an industry implies the ability to use capital, knowledge and labor in such a way as to turn out efficiently and economically a product which will have a ready market and be converted into wealth in such a way that capital will receive its compensation for capital invested; knowledge will receive its compensation for the executive management; and labor will receive its full compensation for its efforts.

In other words, every product turned out must be marketable at a price sufficient to pay capital, industry and labor for their share in the production. The free use of capital in establishing and constructing plants, equipment, etc., is of the utmost importance to human life, for it enables labor to receive proper compensation, and likewise enables capital and management to receive proper compensation for their investment and efforts.

Therefore, it becomes imperative that the construction of plants and equipment to produce commodities essential to human life be engaged in on the largest scale.

The theory that conservatism be exercised by the banker to insure the safety of his investment is absolutely correct and its practice absolutely necessary to the general welfare. But he should not be ultra-conservative to the extent of looking upon that safety as the safety of a junkpile. On the contrary, it is the safety of a going proposition, for today when industry solicits labor for the purpose of building plant and equipment it is expected that the industry take the full risk as to the investments made in plant and equipment.

To take a concrete example, let us suppose that \$100,000, or \$1,000,000 for that matter, is invested in plant and equipment. The moment that the \$100,000 or the \$1,000,000 is invested in plant and equipment, the banker at once adopts the policy of appraising the plant and equipment (which actually cost \$1,000,000 and the enterprise is a going business) at 25c on the dollar, saying that the plant and equipment are only worth what they will bring on the junkpile, under the hammer and the red flag. (The banker, especially the American banker, has also adopted the same policies as to the value of commodities, appraising the value of commodities at 50c on the dollar.)

In other words, when the manufacturer puts up plant and equipment and invests \$100,000, he has immediately depreciated his \$100,000 to the extent of 75 per cent; because, from the banker's standpoint, he cannot count the \$100,000 in the asset sheet, but only \$25,000 of it. And yet the plant and equipment are worth to him more than the \$100,000 actually invested,—without them he cannot turn out the commodities, he cannot employ capital, cannot employ labor, and cannot get the finished product to the market.

The same applies to the buying of commodities. The merchant goes out today to buy a commodity, paying the lowest price for it; and when applying to the banker to finance the carrying of that commodity the banker takes the stand that to lend only 50 per cent on that commodity would be a good, safe loan.

Thus the banker, by virtue of his conception of economic affairs, makes it harder for the manufacturer and merchant to function properly. He takes the stand that capital must be safeguarded at no matter what cost; that his first duty is to see that the dollar he invests shall return a dollar. He does not even want to accept the theory of averages, which is very sound and which has made the life insurance, the fire insurance and the marine insurance companies of the world. All of these companies take the law of averages into consideration. The banker does not accept the law of averages—he wants to know that every dollar he invests is secure, so that it will not get away from him; forgetting altogether that it is necessary to take ordinary business risks—that just as industry (the manufacturer, the merchant, the farmer)—has to take its risks, the banker likewise should take risks and depend upon the law of averages, so that at the end of the year he will find that his losses have been a small percentage as compared with his profits, and that the total volume of his operations has been profitable. Furthermore the economists teach us that taking a risk is not equivalent to taking a chance as regards commerce. Consequently the bankers, who are, after all, only merchants, must comply with this axiom.

In this, our reconstruction period, particularly, it is of the utmost importance that capital, industry and labor work together in the way that will make the enterprise produce the most at the least cost, and that can only be accomplished by a better understanding between capital, industry and labor—by a complete understanding that each one is only a wheel and that in order to accomplish something these wheels must be joined together because one cannot go on without the other. One broken tooth in any one of these three gears will upset the entire machinery. Capital must supply the funds with which to establish plant and equipment, with which to carry commodities from time and place of production to time and place of consumption. It must finance the world at the lowest possible cost. Industry must use the most expert knowledge to obtain its raw materials, to obtain its funds at the lowest cost, do the necessary research work, and find the proper markets for its products; and must pay a living wage which should include not only sufficient media of exchange for the laborer to buy shelter, food and clothing, but also to set aside a dollar for the rainy day. Only when capital, industry and labor get together properly will the three be able to build an export business that will take care of our surplus of commodities whether they be the products of the farm, the products of the factory or the products of the mines. In return we shall receive from other countries that which they can deliver to us at a cost lower than we ourselves can manufacture. We shall deliver to them that which they have not, and they shall deliver to us that which we have not. We cannot repeat too often that only by the fullest co-operation of capital, industry and labor shall this be accomplished.

# MUCHER & COMPANY

GENOA, ITALY WASHINGTON, D. C. NEW YORK BALTIMORE TORTOSA, SPAIN

POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL

POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL

POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL — POMPEIAN OLIVE OIL