

# AND THE COMMON MAN

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HAS the meaning as well as the wording changed in the banner of the National Association of Manufacturers? It used to be "free private enterprise." The slogan now stands, "free competitive enterprise." This modifying word is new and exciting, because there is a popular concept that the N.A.M. is the propaganda machine for those who believe in cartels and price fixing. The N.A.M. has been vocal in its opposition to cartels and monopolies for years, but the thought has persisted that the Association's definitions are often stretched with more than a little elasticity.

Mr. Crawford comes to grips with a principle, competition; and free competition is the principle on which he stands.

But competition has not, in our country, been free. Producers, capital and labor have been arrayed on the one side, and owners of the natural resources, a privileged group of non-producers, have buttressed the other side.

I hope to show Mr. Crawford that he is neglecting some of the factors of production in his thesis. If Mr. Crawford is willing to acknowledge that competition has been one-sided, that owners of natural opportunities collect ground rent without producing any *quid pro quo* then we may assume that he will advocate the cessation of this privilege. He says, "You've got to produce something before you have or can share," a statement on which most of the human race can agree.

Through the experience of Tony we are shown how inventions lighten drudgery, and are stimulated by the competition of other improvements in a field of manufacturing. He and I are in thorough agreement that through the lamp of knowledge, free competition can improve the worker's means of production, by harnessing muscles of iron, thus giving every laborer more sustenance, yes, and more holidays.

## HERE IS TONY AGAIN

Let's follow Mr. Crawford's "Tony" through a longer span of time than did Mr. Crawford.

Tony, you remember, is a factory worker. Tony learned to operate an automatic machine, let us say, in 1928, and his contribution to production increased 400 per cent., while his wages went up 20 per cent. by 1929. But why did not his wages keep pace with his contribution to production? Well, there were other Tonys—after the stock market crash—who could not find jobs, so Tony

was forced to take less, and lived in the dread of losing his livelihood. In 1930, Tony made an improvement on his machine and received a cash bonus for it; his production leaped forward another 25 per cent., but with so many Tonys looking for a chance to work, he clung to his job despite the general pay-cuts.

In 1932, the plant closed, because many other workers were not producing; they had nothing to exchange for what Tony had been turning out. Between 10 and 12 million Tonys were looking for a chance to work, and wondering why there was nothing for them to work on. The few who found work had to take very low wages, or lose out to the now unemployed Tony who was desperate. Where was competition? It was not between labor and capital, for the Federal Reserve interest rate—the return to capital—was only one per cent., and wages were also low; but earlier, in 1929, the Federal Reserve interest rate was six per cent., and wages were comparatively high.

What was it that did not come down? We know Tony could not get any concession on his rent until June, 1932. His landlord first said Tony had savings, and should dig into them now that his wages had declined "temporarily." When the savings were gone the landlord evicted Tony. In June, 1932, landlords decided we were in a depression and agreed not only to wipe out past due rent, but also to cut the rate materially. Then an upward spiral started all over again. A manufacturer who could see a chance of making fair wages for himself, as manager, after paying rent on the site, interest on the machinery and the building, and wages for his help, hired the Tonys again. And again the rent has been going up—until now, with the war upon us, most cities have ceilings.

Had not the competition been a bit one-sided then, as stated above, between the Tonys and the manufacturers, on one side, and the owners of natural opportunities on the other? Who avoided concessions the longest? The landlord. And how did business happen to turn up in June, 1932, when rent concessions became general and sharp? Was it accident, or was it an important condition for the upturn?

Mr. Crawford makes it apparent that those who would raise wages should concern themselves with raising the productivity of each worker without lengthening hours and without imposing more onerous duties.

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agement to see that American free enterprise functions to the utmost in a world made safe for peace.

Management is ready and anxious to join with government and other groups to produce a blue print of progress, instead of a confusing welter of many plans. With vast pent-up domestic demands, new world markets, astounding new research developments, the engineering progress of the war period as a basis for the enterprise system to function, the outlook is not drab but glowing, not discouraging but inspiring to the best efforts.

#### INTERNATIONAL TRADE

One of those efforts of management is to become more international-trade-minded. This requires careful re-inspection of our whole attitude towards world trade.

We must recognize that complete self-sufficiency is not a sound ideal, even though the protective tariff will remain a valid device to insure America the industries which, for strategic or other reasons, should be maintained within our boundaries.

If we want a market in China, Russia, India and other nations for the goods we can produce the best, obviously we must not bar those nations from our own market. If we're going to fight as a world nation, we must trade like one, as well. Diplomatic peace and economic warfare cannot live side by side. The transition where the protection seems unjustified, should be gradual, but business recognizes that it will face a new situation in the post-war world, and that past traditions are not necessarily valid guides.

Our rehabilitation problem is not one alone of sheer efficiency or sheer inventive genius. A whole world will have to be rebuilt. Our own industries will have to be re-converted. Industries in the war-torn countries will have to be rebuilt. The job will require the investment of astronomical sums of capital. Whether we shall have real prosperity or a real depression after the war depends in great measure on whether venture capital can be encouraged to come out of hiding.

Government cannot supply this missing capital. It has no capital of its own. Its only resources are the taxable incomes of its citizens, and the income of the citizens depends upon the productivity of private enterprise. Government financed economic rehabilitation for the world can be undertaken only at the expense of the taxpayer. The taxpayer, who has cheerfully carried a crushing burden to insure victory, expects and will demand relief from that burden as soon as practicable after victory has been achieved.

Private capital can do the job and will, if permitted. As *Fortune* magazine puts it, "The daring individual, the risk-taking entrepreneur, should

therefore become the darling of America's future economy." But private capital's ability to assume the responsibility depends on the encouragement given by government to private investment. Many policies in effect not only in the war period, but in the years preceding the war will have to be drastically modified or abandoned.

If this country is going anywhere, government, industry, labor, farmer, all with a confidence in each other and the nation's future, must move together. Vice President Wallace has the right idea when he says that in a successful postwar period "individual initiative and enterprise and government responsibility for general welfare will continue to pull in double harness for a better life for all the people."

Mr. Wallace can make tremendous contribution toward the accomplishment of that goal if, in the near future, he will reassure America that the "initiative and enterprise" of which he speaks are the same initiative and enterprise which I have tried to outline.

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#### RETURNING TO THE TRIANGLE OF BUSINESS

Mr. Crawford describes "The Triangle of Business" as four-cornered: Workers or Labor, Investors or Capital, Markets or Consumers, each assuming positions on the tips, and Management in the center inspiring them. He shows how Management brings Labor and Capital together to create wealth, and asserts that industry or trade is not like a poker game in which if one wins, another must lose. "Industry," he says, "is a device by which all can share in the wealth produced," and we assume this to mean that each can share according to his production. To the extent that each has not received the fruits of his toil each has been slowed down, and has failed to reach his highest potentialities, materially and morally.

But let's get down to bedrock, and analyze the "four-cornered" triangle. Management is merely a form of *Labor*, and Market is another term for *Wages*, the avenue of distribution to Labor's hand or mind. In Markets he seems to include that part of the wealth returnable to Capital as well as to Labor. This is sound logic if Capital is to be regarded as all wealth or labor products being used to produce more wealth. Apparently, however, Mr. Crawford does not differentiate between land (or natural opportunities) and labor products (or wealth). Perhaps Mr. Crawford has not broken down in his own mind the factors in the production of wealth to the degree that economic principles demand. His Labor, the active factor, must work upon a comparatively passive factor, Land or all

natural resources outside of man and his products. On the distribution side of the ledger Mr. Crawford would then have Rent, the difference between what Labor would pay for one site compared with the best site available free. Using a book-keeping system more simple than the accountants employed in his own company, Mr. Crawford has this picture before him:



If Mr. Crawford combines Labor and Capital (his Investors) he would then discover Wages and Interest in the process of exchange to be his Markets!

#### THERE IS STILL AN ENIGMA

Why are there ever hard times that afflict great masses of men, unless competition has not been free? We wonder how there can be wars in Mr. Crawford's world, but he is engrossed in describing material progress, and fails to mention the enigma of civilization. He does not tell us why, in the face of such progress as he describes, we have increasingly intense depressions, more destructive wars—terrible dilemmas for Tony.

We want to know why the tramp increases with the airplane, why relief and full prisons and mental hospitals are as surely the marks of material progress as are beautiful factories, fine homes and magnificent churches. Mr. Crawford may have wondered, but he is going to strive for "free competitive enterprise," and hope there won't be hard times.

This has been the hope of business men for over a century. Nevertheless, the material progress now accompanying the war will be followed by another world-wide period of distress as occurred after World War I. Mr. Crawford and the N.A.M. would do well to find out what interferes with "free competitive enterprise," and makes such destructive periods possible. If the N.A.M. convicts the "system" which permits the private collection of ground rent, and the system of taxing based on man's productive ability, then, with its prestige, the N.A.M. might make clear to the average American the solution to poverty, a solution, which at the same time can provide revenue for services rendered by government. The Association can also help people to decide whether the price of opportunity, or ground rent, is properly the property of society, that is, all of us.

#### WHY NOT FREE TRADE

When it comes to extending the benefits of free competition beyond the national borders, Mr. Crawford steps gingerly. It would be news for the N.A.M. to advocate free trade, or *nearly* free trade, for its policy has heretofore paralleled that of the American Tariff League. Mr. Crawford is for enough restriction of international competition to "insure America the industries which, for strategic or other reasons, should be maintained within our own boundaries."

He does cautiously approach lesser restrictions saying, "If we want a market in China, Russia, India and other nations for the goods we can produce the best, obviously we must not bar those nations from our markets."

This circumspect global extension of the competitive principle is insufficient, however. If manufacturers of cheap combs in America met the competition of Jap combs, other manufacturers can successfully do likewise. The American comb industry took up injection molding, paid higher wages, and cut its costs to around 3c a comb delivered to the dime stores. The Japs never caught up.

The low-priced bulbs from Japan taught our companies to produce more cheaply, deliver superior values at lower prices, with higher-priced American labor.

Those who are afraid of competition with low wage countries, are afraid it would bring a leveling down process in wages, because it would bring a leveling down of prices. *The issue is whether high prices mean more goods for more people, or whether low prices will bring this happier condition.*

The philosophy of free competitive enterprise, nationally and internationally, is so appealing to me that I venture to quote the German philosopher Liebnitz, who 200 years ago said, "Without philosophy we cannot get to the bottom of a problem in mathematics. Without mathematics we cannot get to the bottom of a problem in philosophy. Without mathematics and philosophy we cannot get to the bottom of any problem."

If Mr. Crawford would master the simple arithmetic of the Law of Rent discovered by Ricardo, and promulgated by Henry George, I believe he would find veins of pure gold, hitherto unsuspected, in the Science of Economics. I can well imagine that the N.A.M. and the labor unions would actually discover themselves more than the superficial partners they are today. They would be harmonious and acting partners!