

A Firm That Makes Labor Profitable*

If the following article carries the suggestion that The Lincoln Electric Company is managed in accordance with principles laid down by Henry George, and with a clear understanding of the operation of Natural Law, the reason will not be far to seek.

The Chairman of the Board of The Lincoln Electric Company is John C. Lincoln, noted electrical engineer and inventor, of Ohio and Arizona. Mr. Lincoln has long been interested in education as a social instrument for the maintenance and extension of democracy and has been an active Geogist for many years. He was the nominee for Vice President of the United States in the 1924 campaign of the Single Tax Party.

He has written extensively on social and economic matters and is the author of the pamphlet "The Importance of Natural Relations" which was first published in the April issue of The Freeman under the title of "When The War Is Over."

Mr. Lincoln is a member of the Board of Trustees of the Henry George School of Social Science, as well as a director of The Freeman Corporation. He is a brother of J. F. Lincoln, president of The Lincoln Electric Company.

THE EDITORS.

A few days ago the House Naval Affairs Committee got after J. F. Lincoln of the Lincoln Electric Co. on the score of his company's 1941 earnings and employee compensation. The implication was that the Lincoln practices were just another effort to evade income taxes. But anyone who knows even a little about Jim Lincoln's economic philosophy knows better than that.

In the first place, the Lincoln incentive payments go away back of the defense effort. They're not a dodge, improvised to take advantage of a situation.

They are rooted in his twin beliefs that good ideas are good ideas, whoever thinks of them, and that good ideas for industrial efficiency are the only fuel that can make the capitalistic engine hum.

For many years, therefore, Lincoln has had in his plant an "Advisory Council," made up of representatives elected in the several departments by vote of the workmen. He and his plant superintendent are ex-officio members. This council meets every week or two to consider plans for improving the business.

It was this council that set up the profit-sharing program back in

1934. For in 1933 the company had got out of the red and made some money. The bonus amounted to approximately 10% of the total wages. It was spread in uniform percentage across all the shop workers, but was awarded to executives, department heads, and top rank technical men according to Lincoln's appraisal of what their efforts had contributed to more efficient operation.

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Right there is the key to Lincoln's conception of what it takes to make the American system work. He says that the way to raise the standard of living for the entire population is to give those who work at production an inducement to put their brains into its technique and their backs into its operation. This, he contends, makes it possible to reduce the price of your product so that people can use more of it and, in some cases, more of whatever else may be made through its use. And, at the same time, your employees get more money with which to buy your products as well as the products of other people.

This conception, of course, is not new. Neither is Jim Lincoln the only industrialist who has offered it as the vital principle of an industrial economy. I seem to recall that Henry Ford has spoken to the same effect. And a few years ago, when everyone was looking for the lesson of the threadbare Thirties, the Brookings Institution developed that thesis at considerable length.

But it must be obvious that mere avowal of the principle will not produce results. If it is to be effective, management must be willing to pass up the opportunity for excessive profits so that the fruits of superior

productive efficiency can be shared with both consumers and employees.

All his business life, Lincoln has been trying to work this principle. And in view of his record, the burden of proof surely rests on those who would impute to him any other motive. I have a hunch that today he is just about as keenly interested in seeing this principle more generally applied to stimulate national productivity and higher living standards as he is in applying it to his own business.

Last year Lincoln Electric had the largest volume in its history. And out of every dollar of gross sales it paid 12c in federal taxes, kept 11c as net profits, and paid 9c in bonuses to employees. And Lincoln asserts that the savings realized by his government customers through the lower prices that were made possible by higher efficiency amounted to many millions.

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My only reason for speaking of this here is to emphasize once again that the American principle of free enterprise cannot possibly succeed unless we all are willing to let it. If those who control the flow of capital withhold it from use where it will make possible higher efficiency, in an effort to foster monopoly and safeguard existing investments, they are not giving free enterprise a chance. If management tries to convert into profits an undue share of the increased earnings achieved by higher efficiency rather than pass them along through higher wages and lower prices, it is not letting free enterprise work. If organized labor fights incentive compensation and regulates the productivity of individual workers to a uniform level, it may serve the ends of union politics, but it is throttling the free enterprise system.

To foster the human incentives that alone can keep free enterprise free has been the philosophy and the

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practice of Jim Lincoln. These he believes are essential to the success of our economic order. And that faith is shared by many other industrialists and by many sincere students in other fields who, however, do not bear the responsibility for working out practical ways and means. If they are right—and it is not easy to show that they are wrong—it is a pity to see an effort to apply a sound principle turned into a political football.

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