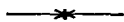




Industrial Government ⁽¹⁾

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IN the summer of 1919 a number of students with myself visited some thirty establishments from Wisconsin to Maine. We were looking for successful experiments in labour management.

We saw that each establishment visited was experimental. Each was looking for experiments elsewhere. Nothing is settled in the field of labour, but everything is being settled every day. We naturally distinguished personality from system. But we found that even that distinction was treacherous. Gradually certain establishments began to stand out as distinctive. Each had something that was unique. Sometimes its distinction sprang from its system of organisation; sometimes from a dominating personality that seemed to override system. Yet even that personality had a system.

We tried to find something on which to hang the facts in each business concern. One of the concerns, a large men's clothing house of Chicago, stood out as a struggle for power between organized capital and organized labour; another, a department store of Boston, was just plain health and happiness for its workers; a great auto factory showed faith in people of all sorts and conditions; a large knitting mill depended upon faith in the management; another motor company was getting employees to think about the future of the business; a piano factory of Fort Wayne was co-operative speeding-up; a men's clothing factory of Cleveland was minute measurement of human motives in terms of money; a big card and tag manufacturing company was emancipation from absentee owners and government by the imaginative minds active in the business. All were trying to sell efficiency to democracy. We did not come across any scheme of Profit-Sharing, in the usual sense of that term.

All of them, of course, had features in common, but these ruling ideas stood out rather clearly as we neared the end of our journey, when we could look back and compare them one with another.

All of them were very alive and were making great changes in short periods, both in system and personality. A manufacturing concern of Milwaukee, was passing from autocracy into government by employees; a printing firm of Philadelphia from scientific management into unionism; a street railway

(1) Printed also in *Administration*, New York, N. Y.

company of Milwaukee from welfare into self-government; a clothing manufacturer of Cleveland, from a political to an industrial form of government.

One interesting fact was found : the sudden or gradual moral conversion of an employer from business to humanity. Employees noted it and could not at first believe it, or were still incredulous and told us about it, and so did the employer himself. In some cases it was unionism or strikes that did it. In others it was business foresight of the labour problem. In others it was sermons by an industrial evangelist.

We noted also certain obvious contrasts. In one case output had fallen off two-thirds, wages had doubled and prices took care of both. In others efficiency had increased nearly as much as wages, so that the increased cost of living was nearly paid for by increased output per man. In some cases wages had not kept up with the cost of living; in others they had far exceeded the increased cost. In some cases labour-turnover was down at astonishingly low figures compared with the industrial world in general. In some cases seasonal industries had been stabilized so that no employee is laid off. In others a reserve army is depended on for elasticity. In others the rapid growth of the business has overcome instability of employment.

We learned not to say "Industrial Democracy". We say "Industrial Government". We find widely different things done in the name of Democracy. The main thing is that they are being done by very vigorous men and women, who are going after things, and are making things buzz. Every one of them is a live idea getting itself into action. Forms of government are adapting themselves to ideas and conditions.

Yet we were not under illusions. We looked up experts in industrial government. It is astonishing what easy marks for experts many employers had become in the summer of 1919. From all sides and several vocations these experts were coming in and setting themselves up. They got long-distance calls from employers to hurry up and come at once. They lifted the employers' pocket-book at will. One would think that the capitalistic system was crumbling, in that employers had lost the power of discipline. In some cases we found that they had actually abdicated and turned the labour end of their business over to professors. Just what it all portended was a puzzle. Certainly the temporary scarcity of labour was a leading fact, and employers began to regain their independence and reduce wages in 1920.

We do not convince ourselves that the establishments which we visited were typical of industry as a whole. They seem, indeed, to be successful, with one or two exceptions, for the present, along new lines. One of these employers said that 25%, another that not more than 10%, would be a liberal estimate of the proportion of employers in general

who were alive to the modern labour situation and were meeting it in the new way which they themselves were trying.

Our conclusion, therefore, is statistical. From 10% to 25% of American employers may be said to be so far ahead of the game that trade unions cannot reach them. Conditions are better, wages are better, security is better, than unions can actually deliver to their members. The other 75% to 90% are backward, either on account of inefficiency, competition, or greed, and only the big stick of unionism or legislation can bring them up to the level of the 10% or 25%.

We see the process going on continuously, and can compare the results over a period of time. Thirty years ago two great industries, the steel industry and the newspaper industry, were working 11 to 12 hours daily, seven days a week. In the steel industry unionism was defeated at the Homestead strike of 1892. In the printing industry a strong organisation grew up, based on the "closed shop". Now, after thirty years, the steel corporation, with its "open shop" banner, works a large part of its employees 11 to 12 hours a day, seven days a week, but the printing industry with its "closed shop" works them only 44 to 48 hours a week. In the steel industry wages go up and down like the prices of commodities determined by the import and export of labour. In the printing industry wages are "standardized and stabilized" according to humane principles, and the printer earns more money (in terms of purchasing power) for eight hours than he earned for 12 hours' work. In both industries revolutionary improvements in processes of manufacture have been introduced, displacing the labourers or enlarging their product. In the steel industry the results of those improvements go only into profits for the owners and reduced prices for the consumers. In the printing industry the improvements have made newspapers cheaper and larger for consumers, have increased the profits of the owners and have shortened hours and raised wages. In the one industry only the owners and the public participate in the progress of the nation. In the other, the owners, the public and the wage-earners participate.

With such a contrast, it cannot candidly be said that the "closed shop", with its restrictive policies in the printing industry, has been disadvantageous to the nation, and that the "open shop", with its unfettered policies in the steel industry, has been advantageous to the nation as a whole. The steel corporation has kept ahead of the game, not by doing better than the unions can do, but by doing worse, and doing it under the name of liberty and the open shop. We did not make a point of investigating, in this trip of ours, establishments that keep out the unions by doing worse than the unions, but those that do better than the unions. The open shop may be either a cloak to hide long hours,

competitive wages, and voiceless workers, or it may be freedom for the management in furnishing reasonable hours and fair wages for manly workers. We tried to find the latter and to find out how they do it.

No one can squarely defend all of the restrictive policies of unions, but if they are carefully examined, as we tried to do, they will be found to be not so very different from the restrictive policies of employers and of non-unionists. In all cases these policies have their source in the knowledge that there is not, at all times, enough work to go around, which is but saying that there are not, at all times, enough markets to take all the work at fair wages and all the product at profitable prices. In the summer of 1919 almost every establishment in the country was bending its energies to get the workers to be more efficient and to get out more product. In less than a year they began laying off the same workers because they were getting out too much product. The workers were restricting output in 1919 in order to make more wages—then the employers were restricting the output in 1920 in order to keep up prices. In one case it seemed to be unjust—in the other it is good business. It would seem that what is needed by both is stabilization and standardization.

We do not find that "labour" wants to participate in the financial responsibilities of ownership. At one extreme we found an organization of labour in the clothing industry, strongly socialistic, which has put off its ideal indefinitely into the future, because its thousands of inexperienced members know that they are not ready. At another extreme we found the organisations in the printing industry composed of the most intelligent workers in modern industry, some of whom have been employers and failed, and they want somebody else to take the responsibility. Even the employees' shop unions, which we found, in two or three cases, had gradually taken over a very large participation in shop management, draw the line distinctly at the point of financial responsibility.

In fact the whole history of labour organisation shows that "labour", as such, cannot manage industry. The older unionists have learned by experience. They have seen it break down and seen it succeed, and in either case, labour, as such, has lost out. For, when their co-operatives succeeded, the members closed their doors to new members and began to hire wage-earners on the market, like other capitalists, and eventually went over to the employers' side of the game. If they failed, labour of course lost out. If they succeeded they knew a good thing too well to let in anybody that came along. Labour, as such, is made up of young labourers and new labourers continually coming in, without experience or discipline. It is even immoral to hold to this miscellaneous labour, as a class, the hope that it can ever manage industry. Labour, as such, in control of industry breaks down on discipline,

on credit, on depreciation accounts, on planning for the future, on finding managers who can shoulder responsibility. But if it seems to succeed on these points, it is because certain *individuals* succeed, and then those individuals immediately close the doors, and labour, as a class, remains where it was.

What we find that labour wants, as a class, is wages, hours, and security, without financial responsibility, but with power enough to command respect. This is seen at several points. Security in a good job is the very heart of the arbitration plan which we found at Hart, Shafner and Marx, clothing manufacturers. Suspicion of absentee owners, who seem to take no responsibility of management, yet are there when they can take off the surplus earnings in time of prosperity and lay off the workers in time of adversity, has been largely removed in certain establishments, the White Motor, the Ford Motor, the Wayne Knitting Mills, Filenes', and the Dennison Manufacturing Companies, and this explains in part their success.

If we are right in this, that what labour wants, as a class, distinguished from what individuals want, is nothing more than security in a good job with power to command respect, then so much the greater is the opportunity and responsibility of management. Management, then, becomes responsible, not only to the stock-holder, but also to the workers and the nation.

Modern capitalism has been built up on security of investments. It is not labour, or management, or machinery that produces wealth—it is the credit system, and the credit system is nothing but confidence in the future. Without the credit system there might be production of wealth, but it would be hand-to-mouth production of individuals who dare not trust their products out of their own hands, and society would sink back into feudalism and violence.

But while capitalism is based on security of investment, it has not provided security of the job. Modern socialism is but a reply to the old theories of political economy, which assumed that everybody was employed all the time, and that the elasticity which brought this about was the rise and fall of prices and wages through demand and supply. Karl Marx replied that the elasticity of the system was not in the law of demand and supply but in "the reserve army of the unemployed". And Marx was right. But he concluded that capitalism could not cure itself, and if so, that there was nothing left but revolution and its overthrow. Socialism, anarchism, and trade unionism, all have their source in this fear of unemployment and the inability of capitalism to give security to the job as it has given security to the investment. They are wrong in so far as they conclude that by destroying security of investments they can obtain security of jobs.

They are wrong, too, in so far as they conclude that capitalism cannot cure itself. The outstanding fact of our

investigation is the importance of management. Instead of capitalism moving on like a blind force of nature, as Marx thought, here we see it moving on by the will of management. It is management that attracts capital through the confidence of investors, for the bulk of investors, like the bulk of labourers, to not want and cannot manage industry. It is management that attracts labourers, but, if our conclusions are true, seventy-five to ninety per cent of management attracts labour, not by confidence in the future but by fear of unemployment. And so, when "labour" has no fear of unemployment, in times of prosperity, it "lays down" on the job, and when it fears unemployment, in hard times, its so-called "efficiency" increases. This is a curious paradox. In good times, when there is a shortage of products, labour enlarges the shortage by working slow; but in hard times, when there is a surplus of products, labour enlarges the surplus by working hard. This is not good business, from any standpoint, and it is because management has not learned how to utilize hope and security for purposes of discipline in place of fear of unemployment.

That it can learn and is learning, we have found to be true. In the White Motor, the entire policy turns on getting the employees to think and plan for the future, with the management. In the Plimpton Press, the Wayne Knitting Mills, the Dennison Manufacturing Company, the Joseph and Feiss Company, a good record has been made of balancing the sales department with the production department, so that no man is laid off in dull seasons or years. In the Milwaukee Street Railway absenteeism on account of sickness has been reduced one-half by health insurance. In other establishments which we visited, when the market slumped in 1920, the shop unions of employees were given the problem of meeting the situation and met it by laying off first those that were willing, then those without families, then shortening the hours all round for those that remained. The Dennison Manufacturing Company prepared the way in the profitable years of the war, by setting aside an "employment fund" and then left the matter to its employees, through their representatives, to dispose of that fund and to enlarge it. Others have set up old age pensions.

On the whole we have seen enough, in these establishments, to be convinced that management can provide security of the job if security is deemed important enough. It is, of course, not a simple matter to work out the details, and three-fourths to nine-tenths of employers cannot be expected to do it without pressure. That pressure was brought, in the case of unemployment through accidents, by the workmen's compensation laws. Those laws are, in effect, a tax on accidents, which can be evaded by preventing accidents. And accident-prevention has already, within ten years after the first laws, become a big feature of American capitalism,

with its well-paid safety experts. They have even set about the education of the children in the schools and the education of the public on the streets, with the immediate result of greatly cutting down accidents in the factories. In fact, capitalism, in the effort to cure itself of the insecurity of accidents, is doing more than politics, trade unions, schools, and all the rest of the public together have ever been able to do, for the public at large. It is simply because management, by the pressure of a tax on accidents, has begun to feel its responsibility to the workers and the nation.

Likewise it may be expected that a tax on absenteeism through sickness, which is health insurance, and a tax on unemployment through lay-offs, which is unemployment insurance, will bring capitalism as a whole to do what the establishments we visited have done, in reducing sickness and stabilizing employment. They are showing that it can be done, and the only question is: Is it sufficiently important to require all the others to do it? If it is sufficiently important and the insurance-tax is sufficiently great and accurately imposed, then capitalism will find the way to do it. Capitalism can cure itself, for it is not the blind force that socialists supposed and not the helpless plaything of demand and supply, but it is Management. And the greatest self-cure that it needs to-day is security of the job. for it is the insecurity of jobs that is the breeder of socialism, of anarchism, of the restrictions of trade unionism, and a menace to capitalism, the nation, and even civilization. Our investigations show beginnings in this self-cure of capitalism.

