

# Gerard Swope's "Stabilization of Industry" Not So Stable

BY OSCAR H. GEIGER

MR. GERARD SWOPE'S plan as announced in his address before the National Electrical Manufacturers' Association at the Hotel Biltmore, New York City, on September 16, 1931, opens with the statement that "In the situation that confronts us at present the most disturbing aspect is that men who are able to work, who are competent workers, who above all things desire to work, cannot find work to do."

Mr. Swope, however, nowhere in his plan proposes to change this condition into one under which "men who are able to work, who are competent workers, who above all things desire to work," will always find work to do at wages that will secure them a living and some measure of decency.

Mr. Swope's plan is to provide:

"(A) A Workmen's Compensation Act, which is part of the legislation necessary under this plan," and which "shall, after careful study, be modeled after the best features of the laws which have been enacted by the several States."

As Workmen's Compensation Acts enacted by the several States have not succeeded in giving men work nor in keeping men at work, there is nothing in this provision that can end unemployment or secure jobs or guarantee adequate wages.

"(B) Life and Disability Insurance.—All employees of companies included in this plan may, after two years of service with such companies, and shall, before the expiration of five years' service, be covered by life and disability insurance."

Life insurance is paid after a man is dead. Disability insurance is paid after a man is incapacitated. The requirement of the opening statement of Mr. Swope's address is work and wages for "men who are able to work, who are competent workers," and "who above all things desire to work."

"(C) Pensions.—All employees of companies included in this plan shall be covered by old-age pension plans which will be adopted by the trade associations and approved by the federal supervisory body."

The plan is to "provide a retiring allowance at age seventy." Comparatively few workmen reach that age; most of those who do are incapacitated long before that time, and the question still remains unsolved how to provide work for the men who are of working age and who are "able and competent workers who above all things desire to work."

"(D) Unemployment Insurance.—All employees on piece work, hourly work, daily, weekly or monthly work, with normal pay of \$5,000 per year or less (approximately \$96.15 per week), shall be covered by unemployment insurance."

At best the insurance under this provision does not pro-

vide for more than ten weeks' payment in any consecutive twelve months to begin after the first two weeks of idleness, and in no case to exceed \$20 per week. For this the employee has had to pay one per cent (1%) of his salary each week for at least two years. Twenty dollars a week for ten weeks of unemployment is not a solution of the problem as stated by Mr. Swope in the opening paragraph of his plan.

In every case, Life and Disability Insurance, Pensions and Unemployment Insurance, under Mr. Swope's plan, the employee pays half the cost, while in the case of Workmen's Compensation Act the question of cost is left open to further study and modeling after some approved plan.

The amount that the company in any case pays for any part of the plan is figured as overhead and is to be included in the price of the commodity produced or service rendered by the company; for the plan frankly states that the "cost of the product will include these items and will therefore be paid for by the users of the article or service and not in general by members of the community reached by the vicarious method of the imposition of a tax."

Thus the entire outlay of the company or industry in the application and administration of the plan is to be added to the price of the commodity made or the service rendered by the company; raising the cost of the product to the consumer and to that extent decreasing the demand for it and thus tending further to decrease consumption and increase unemployment.

Thus too, the scheme cleverly relieves from taxation or assessment those whose incomes warrant the carrying of a share of the burden and places the entire carrying charge of the scheme, excepting that part paid by the workers themselves, on the consumers, who are least able to bear it.

It should also be considered that the payment by the workers of half the cost of every feature of the plan proposed tends to reduce the workers' capacity to consume and thus also tends to general unemployment.

To make sure that the company or the industry is not saddled with any part of the expense in the event that the company must reduce its prices in meeting foreign competition, provision is made for a deduction from the company's federal income tax to equal what the proportionate outlay for the system may have been on the amount of the commodity exported.

"Any company engaged in export business may, upon application to and approval by the federal supervisory body, deduct from its federal income tax the equivalent of  $x$  per cent of its export sales, this  $x$  per cent deemed to be the equivalent in selling price of the various provisions for the benefit of employees which the company



must make under this plan and from which some foreign companies which the domestic companies have to meet in competition are free." All foreign companies, of course, are not free from overhead charges such as Workmen's Compensation, Life and Disability Insurance, Unemployment Insurance, Pensions and other provisions for the extra care of labor, and in such cases where the domestic company's exports come in competition with similarly burdened foreign companies the deduction by the domestic company of  $x$  per cent of its exports from its federal income tax is just that much extra profit over and above its already calculated profit expressed in the selling price of the exported commodity.

Silence often is quite as eloquent as speech, and there is food for thought in the fact that by making provision for a reduction from the federal income tax for such anticipated reductions in prices of commodities that the companies anticipate they will have to make in foreign markets, they say nothing about an allowance for meeting lower prices of the same commodities produced by other domestic companies that may offer competition. Evidently they do not anticipate such domestic competition, and evidently they are satisfied that so far as the domestic market is concerned they will receive such prices for their commodities and services as are fixed and maintained.

Keeping in mind Mr. Swope's admirable and significant opening in his address presenting his plan, three things stand out as shortcomings of the scheme: First, that it will saddle an additional and very considerable cost on all commodities made or services rendered by the organized industries, thus tending to decrease the consumption of those commodities and services and therefore tend to increase unemployment. Second, that it will, to such extent as any temporary benefits whatever may accrue to employees in the organized industries, obtain such benefits at the expense of the workers in the unorganized industries. Should all industries become organized and adopt the same plan, the scheme will fall by weight of its own inadequacies. Third, it does not concern itself about unemployment, and there is no provision whatever made in the plan to provide or secure employment for those who, as Mr. Swope says, "are able to work, are competent workers, desire to work, but cannot find it."

In the opening paragraph of his address the only place where any mention whatever is made of the "men who are able to work, who are competent workers, who above all things desire to work," but "who cannot find work to do," and referring to that "most disturbing aspect" of "the situation that confronts us," Mr. Swope says that "Industry must evolve and make effective those measures which will first ameliorate and ultimately eliminate it," and follows this by asserting, "I say that industry must do this thing, because it will surely be done."

Yes, it probably will be done; other useless and hopeless things are being done. Why not this? Just why industry should do it instead of government is disclosed in the

chapter called "Conclusion," from which the excerpt already quoted above indicates that thus the cost of the scheme can be saddled on the consumer by including it in the price of the commodity or service and save the taxpayer from bearing the burden.

But why in a matter of such vital moment does Mr. Swope deviate from his (and industry's) method of solving problems, that of first calling in experts who know the subject and who presumably can give advice that arises out of technical learning and experience? In any matters of law, engineering or accounting Mr. Swope would ask the advice of a lawyer, an engineer or a certified public accountant. The problem that Mr. Swope poses in the opening paragraph of his address is an economic, not an industrial one; any economist could have told him that.

Surely Mr. Swope, although an able man, cannot be expected also to be an economist; and if the plan of which he has made himself the expositor has been prepared for him by others, then clearly, as is evident from its shortcomings, those who evolved it did not know how to obtain the relief that Mr. Swope's opening paragraph points to as imperative, or else did not mean to really provide a cure for the ills of which Mr. Swope complains.

If Mr. Swope's plan is presented to bear against that "disturbing aspect" that "men who are able to work, who are competent workers, who above all things desire to work, cannot find work to do," why is it that the plan he offers does not in any way even attempt to offer, much less secure, work for the able and willing hands that cannot find it?

THE real and fundamental cause of the unbalanced budget is landlordism, which stifles industry and is the direct cause of unemployment by withholding land from use. The drain on the unemployment insurance fund is due to landlordism. "Compel the landowners to pay up and make the fund balance"—this is a gospel which will not be put into force by the emergency government. When will the people wake up the M.P.'s on the subject? —*Irish Weekly and Ulster Examiner*.

NO one who is at all familiar with the subject can agree with Mr. Shaw in his contention that, "by an obvious deduction" from George's principles, interest should follow economic ground rent into the public treasury. Confiscation of interest on capital and the profits of industry, far from being an obvious deduction from the Single Tax philosophy, is, on the contrary, an absolute negation of everything Henry George ever advocated.—JOSEPH R. CARROLL in *Hartford Courant*, Oct. 10, 1931.

WHAT is the biggest detriment to Orange County today? Land estates which refuse to be broken up, and the only way they can ever be broken up is to raise the land taxes.—GEORGE KELLOGG, one of the Farm Bureau Directors of Orange County, Calif.