

Capitalism and Competition

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WITHIN THE SPAN of five generations the United States has developed out of a pioneer, agricultural environment to be the most productive, industrial nation of the world. Unhampered by the traditions of feudalism, this new-world nation has seen its most capable, energetic, and self-centered men pushed to the front in business. As a consequence the American businessman has been praised as was the military man in the feudal period. His vanity, his desire for distinction and prestige have been satisfied by the quite general acknowledgment of his merit and by the acceptance of his leadership.

In the United States a businessman's civilization has flourished. The businessman has been a go-getter, a self-reliant man with initiative; but his economic and political vision has been nearsighted. Primarily he has been almost solely interested in the immediate in time and the nearby in space. He has expected each man to look out for himself; it has been assumed that later generations must look out for themselves. The American businessman has had no clear vision of the broad aspects of social welfare. Influenced by nearness to the frontier and to small-scale industry he has naively assumed that those efforts which benefited him and his business must be beneficial to the community or at least not inimical to the general welfare.

These points of view are now being repeatedly questioned. Business is often attacked as an anti-social or exploiting interest; the businessman is pictured as a selfish individual. Communists insist that the worker is "exploited" under capitalism. In passing, Americans may ask: Are workers exploited as a class in the United States? They receive about 70 per cent of the national income. Doubtless there are many inequities; but may not these be ironed out instead of destroying the fabric? Left-wingers vociferously declare, however, that there is little hope of social betterment as long as business interests are powerful in the political arena and in the economic sphere.

Observers should not forget that labor organizations also are primarily concerned with their own selfish interests. The same statement is true of many non-profit organizations. The pessimist writes: "there is no *public* interest anymore; there are only *interests*." It is foolish to attack business and labor unions because they are selfish. Of course, both are selfish; but

so are all other groups, including the Communist Party of Russia. Observers must accept the idea that selfish groups struggle against one another. There is a struggle for life or for existence, and there is also a struggle for the life of others, or mutual aid.

Interest and Mutual Aid

CAPITALISM HAS EMPHASIZED individual interests—the struggle for life and for power and prestige; but the struggle for the life of others or mutual aid is also essential to the continuation of mankind. The primitive groups that failed to generate unity lost out in the fierce competition of that day. Both interest and mutual aid are essential to the development and the maintenance of civilization. Indeed, writes a well-known business advisor, Roger Babson, “in the atomic age the benevolence of man may be his one security.” If powerful groups and nations join together solely to take advantage of another group and nation, peace is very difficult to maintain.

The businessman declares that “competition is the life of trade,” but he wishes to protect his business from its acute pressure. He forms pools, trusts, holding corporations, and trade associations; and he asks for protective tariffs and subsidies. By these and other means he erects barriers that reduce the direct dangers to him of competition. The businessman wishes the other fellow to be subject to competitive forces and if necessary to governmental intervention; but, for himself, he desires protection from competition and he does not want the government to use regulation or control against him and his interests. Nevertheless, Americans have been prone to worship competition and *laissez-faire*. A brief analysis of competition, regulated and unregulated, may be pertinent to this discussion.

In the primitive jungle any sort of competitive struggle was “fair.” All types of attack were allowed. There were no rules in the competitive struggle. It was a case of “catch as catch can.” Scarcity leads directly to conflict; relative plenty tends to mitigate the fierceness of individual and group conflict. A civilized society is one in which certain rules, traditional or recently imposed, are recognized as being desirable. By means of these rules society attempts to demark the limits within which the competitive struggle in business and in social relations should be confined. Certainly regulations in regard to the relations between the sexes constitute one form of limiting “jungle” competition. The famous Ten Commandments are rules limiting the competitive struggle in human relations. Domesticated animals and cultivated fruits and flowers are protected from the fierce onslaughts of certain enemies which harassed the ancestors of those living today. They are the products of limited competition. Competi-

tive struggles between men which culminated in feuds, duels, and fierce personal combats have been greatly reduced by custom and regulation, but strikes and wars are unfortunately of frequent occurrence.

Unregulated, cut-throat, or jungle competition may lead to results which even the optimistic deem undesirable. The wolf, the rattlesnake, the skunk, sagebrush, and the cactus are the products of long-continued and fierce struggle for existence; these unlovely plants and animals are the results of fierce or excessive competition. The patient cow, the trotting horse, the dog, wheat, and the Concord grape are the products of controlled or regulated competition. They are the results of "artificial" rather than "natural" conditions. In the industrial and business world, cut-throat competition leads to the sweatshop, to below-cost-of-living wages, to a long working day, and to wage earning by children. Competition within certain limits may lead to initiative and efficiency; but unrestrained competition is a distinct evil. Athletic games represent competition carried on within definite limits. The rules of the game eliminate kinds of competition which are considered to be unfair or undesirable. The benefits of competition in the business world will likewise be at a maximum when competitive efforts are regulated or restrained.

In the days of small-scale industry the automatic play of competition may have given various groups and individuals within the nation a reasonable degree of justice and of fair play. It is not difficult, however, to over-emphasize the ideal features of pioneer life. Capitalism at the opening of the nineteenth century signified rivalry between small economic units, no one of which was large or powerful enough to dominate the situation and to introduce the element of monopoly or of economic friction sufficient to cause abnormal stickiness in price changes. Even in colonial days it was found expedient to pass inspection laws for the purpose of maintaining the quality of such products as flour and nails. Some of these laws were re-enacted by the states after the new American government was organized. Free business enterprise, however, has been the traditional demand of capitalism. It was assumed that competition would automatically lead to the sufficient production of commodities of the type wanted and of the quality demanded. The producer making a poor quality of goods or demanding high prices would be left without goods on his hands. This theory may not have been seriously out of line with the facts in the days when there were many competing small enterprises. But not all consumers are in a position to know what is the most suitable article for their needs, and they are not always able to judge accurately the quality of goods. Certainly in an age

of skillful propaganda in the form of advertising, the consumer is often not able to make an intelligent choice for the satisfaction of his wants.

What 'Free' Competition Means

IN RECENT GENERATIONS "free" competition does not mean absolutely unlimited competition; it means fair or desirable competition. Free competition signifies competition within reasonable limits; it means the observance of ordinary but changing standards of honesty and of decency. As the conditions of business change, as the business units are modified in type and in size, and as the interdependence of business and of social life becomes evident, generally accepted ideas as to what are fair and what are unfair competitive methods are modified. Business competition in recent years has been far removed from jungle competition. Society, through governmental agencies, has intervened ostensibly to promote peaceful relations in industry, and to increase the well-being of the community.

Mutual aid, in the early history of the race, was confined largely to the family or to small groups. As transportation and communication have improved, as trade between groups and peoples has become the normal procedure, extreme individualism has been diluted. Common interest in honesty and obedience to commercial rules and regulations and in the elimination of feuds and personal combats has come into the foreground of human relations. Business competition is carried on within the limits prescribed by custom and by law. In modern industry, many leaders in management are beginning to take a professional point of view in regard to business ethics.

Today, profits are not normally the sole reason for business activity; professional pride in producing an excellent product under good working conditions is now an important business incentive in the case of many connected with management. The struggle for life or the crude-without-rules competitive struggle is being displaced in an increasing degree by mutual aid, or by a professional point of view which looks toward better products, toward less chicanery in business relations, and toward harmony between management, workers, and consumers. The selfish spirit may not be expected to evaporate; but it is being diluted or reduced by the growth of social responsibility which in turn is a product of technology.

It is true that up to the present, many top management leaders of corporations, aided by the proxy system of voting, obtain for themselves excessive salaries and pensions at the expense of the stockholders and the purchasers of the output of the organization. These business leaders have not been touched, as yet, by the professional spirit. They continue

to look upon stockholders, the workers, and the general public as legitimate prey. If capitalism is to live in a complex technological civilization both the jungle type of competition at one end of the scale and monopoly at the other extreme, will, of necessity, give way to regulation and control by governmental agencies in the interests of that intangible and not clearly defined entity called social welfare.

A careful view of the industrial and economic life of America today clearly discloses that the individual freedom of frontier society no longer exists in the productive process of large-scale industry. Specialization, co-ordination, and co-operation are essentials. Personnel directors for business organizations ask for men who can co-operate with others, who are able to do teamwork. They do not ask for the rugged and ruthless individualistic type of man or woman. Football coaches and business executives look for persons who can be depended upon to work for the best interests of the team or the firm rather than for individual glory and acclaim often at the expense of the group. Competent and alert individuals are needed; but extreme individualists of the traditional type are no longer in demand. Liberty of the pioneer type should be chastened by team work. Freedom to compete should be allowed only within limits and in accordance with the rules of the business game, which should make for increased output rather than for restricted output. The American people should not try to solve the problem of the economics of plenty by reducing it to its lowest common denominator, scarcity, merely because we are familiar with the economics and problems of scarcity. In so far as depression and the discussion of plans for recovery, and full employment and discussion of its maintenance have begun to educate the mass of the people in regard to social responsibility for that major weakness of the present order, unemployment, in so far as we have been shaken out of the old habits of thought which have come down to us from the frontier, from Adam Smith, and from a vision of rugged individualism derived from a vanished pioneer people, a worthwhile task has been accomplished.

The Nation as a Unit

SERIOUS DEPRESSIONS and wars have taught a large number of the American people that we must begin in this complex interdependent age of power and machinery to think in terms of the community or of the nation as a unit. It has been well said that men are prone to confuse means with ends when they do not clearly vision the ends. This has been one of our difficulties in understanding the complex exchange order of today. We fail to see the business of the people of the United States as a unitary proj-

ect. American business in the broad sense is operated to give food, shelter, clothing, services, and comforts to a hundred and forty-four million people. It is the United States of America, incorporated. The nation as an operating and a functioning unit is the pioneer farm written large. Its success depends upon the regular production of goods and services, not in making money in the usual sense of the term. The late President F. D. Roosevelt expressed this idea in the statement: "Private office is a public trust." Leadership in industry or in labor organization should be considered as a public trust. The attitude of disregarding the interests of the public or of the consumer is as reprehensible on the part of labor leaders as on the part of captains of industry. Not more machinery or more efficient engineering methods, important though these may be, but a new point of view is the prime need of the hour. We need a vision of a co-ordinated and co-operating civilization. We need a point of view which recognizes that the world of my pioneer farmer grandfather is gone, for better or for worse, but gone forever. We need an attitude of mind which will enable us to ask: What is good and desirable for the great masses of consumers in this new and complex age? The greatest asset which our educational institutions can give each one of us, at present, is a humble inquiring mind that is willing to examine changing conditions in the light of today instead of in the light of the Eighteen Nineties.

Even when *laissez-faire* was the generally accepted doctrine, some governmental interference in business affairs took place; but in recent decades the amount of such interference has been on the increase. Today the conservative is no longer opposed to the parcel post, municipal garbage collection, or federal and state subsidies for good roads. He does not object to the protective tariff for his industry; and he favors a public fire department, governmental insurance of bank deposits, and free public schools. However, he usually objects to the TVA, to municipal electric power plants, to government operation of railroads and coal mines, and to the wide extension of social security measures.

The coming of the huge corporation has destroyed the "privateness of private property." The actual tangible property and its control have been hidden behind a mass of paper and intangible securities. The typical corporation represents a concentration of power and a diffusion of ownership. The so-called free market has been modified until it has little resemblance to the traditional picture, by the growth of large corporations, big unions, and powerful governments. As a consequence of the rise of huge corporations and powerful labor organizations or as an accompany-

ing circumstance, the traditional type of competition has given way in all but a few fields to "imperfect" competition or monopoly. The appearance of these powerful organizations in the fields of capital and labor has caused the federal government to strive to regulate and control groups which seem to menace the prerogative of government and the well-being of the general public. Huge corporations and big labor organizations point toward the necessity of strengthening the power of government. The area of small-scale business and weak labor organizations was one in which competition played a large rôle, and in which it was generally assumed that the best government was one which did little governing. The United States is now facing a struggle between powerful groups for more power, and between these groups and a growing governmental bureaucracy.

Competition can no longer be relied upon to safeguard society against arbitrary decisions by big business or powerful labor groups. According to the Federal Trade Commission, "monopoly constitutes the death of capitalism"; and in the words of a well-known economist, monopoly is "the great enemy of democracy." In short, the decline of competition is inimical to both capitalism and democracy. It seems clear that "concentration of power," whether in business corporations, labor unions, or governmental bureaus, "is inherently dangerous." Overgrown corporations and labor organizations are prone to exhibit the evils of bureaucracy and ossification so often attributed to governmental enterprises. However, as corporations and unions grow in power, society turns to governmental agencies to preserve the mass of the people from short-sighted exploitation; and governmental regulation and control of economic processes tend to grow.

In a complex, interdependent civilization, *laissez-faire*—whatever its merits in frontier community—leads directly to chaos. Witness the need for traffic control in the city, or for the enforcement of health regulations in a crowded municipality. Liberty in a compact, interdependent society will be realized only through regulations that protect the rights of all. Liberty is not a mere negative or hands-off conception. However, decentralization, local control where feasible, and consent of the governed, are desirable,—yes, essential to the continuation of a democracy in a technological age. Groups will remain somewhat self-centered and selfish; but the prime purpose of government should be to develop rules of the business game and to umpire the struggle in the interests of the community—local, national, and world.