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Management, Labor, and Government

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THE AMERICAN EMPHASIS on the businessman and his point of view arose while a new continent was being exploited and developed. Today, the nation is more mature; its population has grown remarkably. Specialization and interdependence are typical of today. The businessman's idea of rugged individualism and unrestricted business operation is being projected from a pioneer to a mass-production civilization. To the calm observer it appears out of date in the new industrial and social world which engineering and science have developed. As the nation passes out of the pioneer stage of expansion into one in which scientific management and co-ordinated activities are normal, new goals appear, and new types of leaders also come above the horizon. Today, the attractiveness of high adventure in business is fading in the steady light of scientific management, cost accounting, and mass production.

The American consuming public today is vitally interested in the manner in which industry is conducted. Business is no longer purely a private concern; all business is becoming affected with public interest. It has been suggested that the next generation may find its field of adventurous endeavor in the service of government and education. The picturesque period of haphazard, unscientific development directed by the immediate demands of profit-seeking individuals and groups appears to be ending and in its place may come more of systematic planning in the interest of the community. It may be anticipated that rates of profit will become less as risk recedes into the background; also the field of private enterprise may grow smaller relative to that of public enterprise.

A prominent financial newspaper has scoffed at the idea that businessmen have social responsibilities. It was urged that the responsibility of the businessman was so to conduct his business as to make profits. But the number of persons directly connected with large scale business enterprises who depend primarily upon the profit motive is small. To many workers, profits mean profits for some other individuals, not for themselves. It may be suggested that the use of profit sharing and bonus and wage incentive plans would tend to spread the effect of the profit motive to workers and to subordinate members of the management who are now only indirectly and remotely affected by it. In many corporations the

members of the upper strata of management are attaining a professional point of view. They are beginning to emphasize quality of product, fair treatment of workers, and consideration for the general public as well as profits for stockholders. However, owing to the close interdependence between different units of big business, through trade and industrial associations and other business and financial groupings, the management of separate corporations is often obliged to follow a pattern in labor relations and business ethics set for them by a comparatively small group in the higher ranks of financial leaders.

After the Civil War, an aggressive and short-sighted attitude on the part of business leaders led to the enactment of a variety of legislative restrictions ranging from the Interstate Commerce Commission Act of 1887 to the Wagner Labor Act of 1935. Again in 1946–48, the great mass of business executives did not try to lower prices and to keep profits at a level comparable with pre-war rates. The election results of 1948 were not unrelated to the policies of business leaders who continued to look back to the decades before 1930.

Business has not developed a plan to combat depressions—unless it be preparation for war. Labor has developed such plans and the government is also making plans. Business is not well organized for the consideration of social well-being. Consequently, the initiative in the attempt to stabilize the economic order is definitely in the hands of organized labor and the government. The influence of business is negative rather than positive. A decade and a half ago that keen thinker, John R. Commons, indicated that American men cling to rights and privileges coming from pioneer days, from the days of small-scale industry, even though fundamental economic conditions have changed greatly. Two World Wars and a major economic bust within a generation certainly tend to destroy the prestige of traditions coming to the rank and file of the population from very different conditions found in the expanding and buoyant America of 1865–1910.

A reviewer of books on economic and business conditions laments that business seems determined "on climbing higher and higher into its ivory tower." Does the recurrent task of meeting payrolls prevent a businessman from seeing the business scene of today clearly? Or, is the rugged individualistic businessman blinded by looking toward the setting sun? Nevertheless, the big businessman usually thinks of himself as one who should be accepted as a guide and counselor for the men and women of the nation. He is inclined to look condescendingly upon legislators, adminis-

trative officials, teachers, and social workers; and he is also prone to be arrogant when dealing with the representatives of labor organizations. In recent years, business and businessmen have maneuvered themselves into a position in which they appear to be against the farmers, the unions, the veterans looking for better housing, and the underprivileged of various types. This means that they are raising up a host of voters against the continuation of a modified form of the capitalistic system. The Eightieth Congress was unfortunate in its program. As a result, a political overturn occurred in 1948 which may require statesmanship and salesmanship on the part of business leaders to prevent serious upsets to business programs.

The Republican party has been called the party of business; but its attitude in recent years indicates that business has failed to convince the mass of the people—industrial workers, farmers, Negroes, and other groups not directly connected with business—that the typical businessman has vision and is socially minded. Marcus A. Hanna was a business leader at the turn of the century who had social vision as well as business ability in the narrower sense. He believed at that early date in the conservation of natural resources. His relations with workers and with unions made for harmony at a time when few businessmen were so farsighted. He was influential in getting employers and coal mine workers together in the first joint conference in that industry. Mr. Hanna was one of the first big businessmen who saw clearly that the common man must not be neglected in the industrial economy which was rapidly emerging out of the pioneer and frontier economy characteristic of America until about 1890. There are business leaders in 1950 who see beyond the assembly lines and the accountant's reports; but no one of them has a dominant position comparable with that occupied by Hanna. Too many are content to damn labor and labor unions without attempting to see the labor side of the picture.

There are, in 1950, indications that the older type of business leaders and their heirs are being pushed to one side: (a) by the insistence of organized labor that work rules and other traditional ownership prerogatives be shared with unions; (b) by increasing governmental control of business and financial activities, and (c) by the size of a new group of active managers who are not also owners of the enterprise. The individual members of the older and still powerful group are strong for "free enterprise" and "rugged individualism." They are especially bitter in attacks upon the administrative groups in the Federal government. The members of this group are offended by the tightening curbs thrown around business, par-

ticularly since 1933, as were the humanitarians of a century ago shocked by the hustle and aggressiveness of the rising group of manufacturers. The sons and grandsons of the self-reliant industrialists of the post-Civil War period are losing power in the business world of today. They are reacting as might be expected. They demand a rollback to free enterprise, a reduction of the functions of government, and a return to the days before the New Deal. These men call for individual initiative and freedom forgetting that mass production, the giant corporation, and world markets have, for good or for evil, forced the individual into membership in a group—labor union, trade association, professional society, or business organization. American labor organizations now have a total membership of fifteen to sixteen millions, and a potential vote of, say, thirty millions. A new political power has appeared above the political horizon. If the farmers and the white collar workers swing away from big business and align themselves with organized labor, our scheme of things will doubtless undergo marked changes. The potentialities are great; such a combination might well reorganize our economic and political life. Up to date, however, the means of education and of propaganda continue in a large measure under the control and direction of business and financial groups. In any event, the owners of property, and particularly the absentee owners, may no longer expect to dominate the political or the economic field. As the humanitarians of a century ago, they may play with "intellectual fireworks," or they may resort to the futile and picturesque use of invective; but they are, for better or worse, on the road out as a dominant group in the United States.

The character of the middle class as well as the nature of the business leadership is being modified. The middle class is losing its "property status." The small farmer, the small businessman, and the craftsman are being crowded out. They are becoming employees of large businesses or of the government. The typical large business is now a corporation with multitudes of absentee owners directed by salaried officials, the management. When Americans talk about the businessman in 1950, we usually mean the salaried official of our industrial, trade, and financial corporations rather than the small businessman who owns and operates a business enterprise.

In the United States of tradition, property spelled power; but today labor leaders without the support of property exert power; and government is also a potent force not entirely directed by the owners and managers of property. Labor and labor leaders try to reduce the sphere in

which property rights dominate. They are asking and obtaining a voice in the determination of work rules and working conditions. Government has been dominated by the most powerful groups in the nation. Our traditional legal principles deal with the individual and his welfare. Our economic principles deal with competition between individuals. These traditional principles are being outmoded by the thrust of group action—the union, the corporation, and the trade association. If conflict between the individual and the group arises, loyalty to the group and group well-being are emphasized at the expense of the individual. Today the control of government is passing from the owners of property to the workers and management. The triangle of power is now the businessman, the labor leader, and the politician. An association of businessmen "translates economic into political power." Labor leaders try to use the pressure of numbers and the threat of strikes to obtain political power. It is dollars *vs.* numbers of persons possessing votes and the power to paralyze industry through the strike and the boycott.

As was manifested in the 1948 election in the United States, the rise to power of labor parties in Britain and elsewhere in Western Europe, and the movements in India, Burma, Indonesia, and elsewhere in the Far East, the masses of the people are stirring. Any type of political and economic organization which succeeds in the Western world in these unusual times must give to the rank and file of the population a feeling that each is more than a cog in an enormous, impersonal machine. Each must feel that he or she is significant in a worthwhile world. This, the era of the supremacy of the businessman, did not accomplish. If capitalism is to persist and succeed it must cater to this fundamental instinct or impulse of the ordinary man. It must do better in this regard than communism or any other competing economic system. It is the thesis of this writer that a mixed economy may succeed better than communism or orthodox socialism; but it is clear that old-fashioned capitalism, the traditional capitalism of the pioneer community, cannot.

When capitalism evolves so that large establishments employing multitudes of workers and owned by huge numbers of absentee and practically functionless stockholders are typical, ownership and management become divorced, and the motivating forces in industry undergo modification. Into the organized labor group go many who under the conditions of the nineteenth century would have been small businessmen. The trend in population in the United States is toward the cities; and a population with a large percentage of urban people will tend to become more and more

socially and politically minded. In short, the "impact of events," the development of science and engineering, are forcing new points of view upon our people and their leaders.

Although traditionally business interests have not been "liberal," today they are generally in favor of keeping the government out of business affairs. The Republican party traces back through the Whig party and the Federalist party to Alexander Hamilton. Thus, in the past, it and its forerunners were in favor of a protective tariff, of the chartering of corporations, of land grants, and of other subsidies to certain businesses. The growing strength of labor organizations following the passage of the National Labor Relations Act in 1935, undoubtedly was instrumental in causing corporations and trade associations to favor the Taft-Hartley Act which was aimed at weakening the power of aggressive unionism. Today, the normal hands-off attitude of large business seems to be influenced by the fact that governmental interference is in the interest largely of small businessmen, farmers, and workers.

John L. Lewis of the United Mine Workers Union is in favor of "the rights of free men and free enterprise." Mr. Lewis stands at the head of a powerful and firmly united and inclusive organization of coal miners. He and his union are stronger than the coal operators. They can, and have, repeatedly closed down a vital industry functioning in many states. They wish no governmental interference. Like many large corporations and trade associations, the powerful miner's organization believes in free enterprise and a "hands-off" government. They can win victories over employers under such conditions. Without being inconsistent Mr. Lewis' organization might join hands with employers' associations in favor of free enterprise.

In recent months at least two union programs in the field of labor relations were of much significance. The United Mine Workers Union seemed to be definitely developing a program of stabilization in the "sick" coal industry. "Over-production" and price reductions were feared. Presumably, the union proposed to limit production throughout the industry by shortening the work week—with no reductions in pay—and with the aid of periodic strikes of which the "memorial" strike of March, 1949, was a sample. The program aimed at the control of coal production with higher prices to the public. The union was trying to protect wage levels and its welfare program. After nearly a year of memorial and stabilization strikes, ordinary strikes, three work days a week and mutual recriminations, with the government unable or unwilling to interfere effectively, an agreement was reached without solving the problem of stabilization.

Both the miner's union and the coal operators feared governmental interference. The International Ladies' Garment Workers Union in another highly competitive industry, proposes to induce employers in good times to lay aside a reserve fund to be used in bad times in order to regularize employment and production over the complete swing of the business cycle. Again, governmental agencies are to be bypassed.

One of the pressing problems in industrial relations is that of delimiting the rights of management and of labor in the control over industrial methods. Labor organizations are asserting new rights or privileges through the instrumentality of collective bargaining. Management looks upon such demands as an infringement upon its rights or privileges. Unions do not appear to have clearly outlined long-range objectives. They are still opportunistic. There are today no definite limits to the encroachment of organized labor upon the time-honored rights of management and ownership. Carried to the extreme, these encroachments upon the prerogatives of management would lead to the control of business by the workers.

The delimitation of the spheres of union and men and of management and men should be attempted. Unions protect wages, jobs, hours of work, and other conditions including fair treatment by bosses. Management is responsible for the general direction of the industry; but it should not attempt to protect the worker from his union. Management is largely responsible for the social and psychological atmosphere surrounding the workers in the plant. If industrial peace is to be obtained and retained, management must be ready to meet unions more than half way. Ways may be found of co-operating in minor matters such as safety committees. Such experiences will make for mutual confidence and a willingness to seek for other and more important means of co-operating.

We in the United States are evidently in the painful process of change from the autocratic control of business by management and ownership to the joint participation of management and labor in industrial decisions, with the probability of added interference on the part of government. With the growth of administered prices, spreads between the prices of raw materials and the retail prices of finished products are fixed by other means than the ceaseless pressure of competitive forces. Some guiding pressure is needed to prevent wide spreads and unusual profits; and, in certain industries, to prevent management and unions from teaming together at the expense of the public or of the general welfare. Unless such pressure, presumably governmental, is applied, the economy cannot be stabilized and it continues to face the danger of booms and busts. It may be suggested that in the broad social sense, the problem is to ascertain the point

at which this tendency to modify the control of business will give maximum productive efficiency. Any powerful group either of businessmen, of industrial workers, or of farmers will fight to maintain its power and prestige. Such a group will invoke the aid of government if and when it is threatened by loss of rights or privileges.

Management claims the fundamental or natural right or privilege to run the business over which it has control as it sees fit; this certainly has been an old and generally accepted notion in Britain and in the United States. Labor organizations are trying with some success to reduce the area of this right, and society, through government, has for years been in the process of limiting the rights of management. Authority in industry should finally rest upon expertness, upon the ability to obtain efficient production with interested and willing workers. Coercion and exhortation are ineffective agents in the complex industrial order of today. Unions have been to date very largely negative in their impact upon industry. This is in no small measure because they have been forced by the attitude of employers and the public to fight for the right or privilege of existence. Fighting groups do not make efficient production units.

In this day of huge corporations, big labor, and the accompanying powerful government, new goals and activities are perforce coming into the foreground. The profit motive and negative incentives such as fear of loss of job are weakening. Social purposes and responsibilities rather than the wishes of individuals are being pushed forward. The right of the masses of consumers to insist upon efficient and regular operation of all industries "affected with public interest" takes its place along side or in front of the traditional rights in the Bill of Rights. Our educational program should be so organized as to aid in hastening this trend. Our schools and colleges have stressed power *over* others rather than "power *with* others," or leadership "with fellowship." Instead of emphasizing individual power and prestige, the emphasis should be placed upon justice and reasonableness. In such a development lies the hope of industrial harmony and world peace.

Fortunately, the three groups—management, labor, and government—have certain common goals and in this lies the hope of future industrial peace and progress. Businessmen, including farmers, labor and labor leaders, yearn for economic stability. All may praise competition, but each one wishes to protect himself under the umbrella of monopoly and opportunity. Finally, governmental officials are seeking a way to stabilize our economy. They, too, dislike "cut-throat" competition and are favorably inclined toward reasonable economic co-operation. There are three

varieties of bureaucrats—big businessmen, labor leaders, governmental officials—looking for the attractive goal of economic stability, for cessation within the realm of capitalism of the famous boom-to-bust cycle in economic affairs. Stabilization requires the co-ordinated efforts of business, labor leaders and government.

These groups are also interested in the world development program foreshadowed in President Truman's inaugural address. In an interdependent world implemented by mass production, airplanes, and radios, prosperity, to be real and lasting, must be spread; it cannot, for long, be the monopoly of one group or nation. The know-how and a portion of the invested capital of various industrial nations should be used to aid in development of resources, increase in productivity, and raising living standards in the now undeveloped portions of the globe. One of the functions of government, including that of the United Nations, in this paternalistic project should be to see that the old imperialistic type of exploitation is avoided.

Along this path, toward a shining goal of world betterment, businessmen with vision, farmers, labor leaders, and administrative experts and legislators connected with government may be able to go forward with a reasonable degree of harmony. If another World War can be avoided, the trend of events—the pressure of economic and social forces—in a complex world tied together by rapid means of communication and transportation points toward the possibility of a new and happier era of world affairs. If human beings behave, science can do much to improve life and living for all.

Is it possible for these three groups—big business, powerful labor, and strong government—to take a long-run point of view? Is it also possible for them to look at the national, and eventually the world, economy as a huge plantation to be operated so as to produce food, clothing, comforts, and so as to allow a modicum of leisure for the two billion plus members of the human race? We possess in the year 1950 a knowledge of the fundamentals involved in this crucial problem; but the use of such knowledge requires a shift in the center of gravity from the individualistic and opportunistic point of view to one involving planning from the grass roots up. This new point of view demands a sense of social responsibility coupled with stress upon mutual aid and co-operation on the part of the leaders in business, labor, and government, and also on the part of the rank and file of the population. The major problems are psychological and educational rather than technical.

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