

James F. Lincoln Predicted Tough Rivalry in Industry, After Recent European Tour



"WE CANNOT answer European competition with the type of program which has precipitated the present crippling strikes. We cannot go in the direction of shorter hours, higher wages and less work. As we do, we make ourselves vulnerable to an attack on our industries which will be just as effective in wiping them out as would be an atomic bomb."

This opinion was voiced by James F. Lincoln, nationally known industrialist and president of the Lincoln Electric Company in an interview published in the Cleveland Plain Dealer, October 7, 1949.

Mr. Lincoln, who was in England at the time the British announced their decision to devalue the pound sterling by 30½ per cent, said that European industry is now almost completely absorbed with its task of supplying the seller's market which still exists in those countries. That Europe will aggressively be seeking other markets some day can hardly be questioned. When that happens he says we will be in for some tough competition.

Foreshadowing this possibility is an event which recently occurred in Cleveland. The city wished to purchase a new turbo generator for the municipal power and light plant. The lowest bid received was from a Swiss concern and was approximately \$1,000,000. The nearest bid from a United States concern was \$1,500,000. The contract went to Switzerland, a country which has practically no natural resources and has to import the material.

Mr. Lincoln said a United States oil concern had recently purchased five tankers built in Holland shipyards at a price quoted as approximately half of what was asked in this country. Three separate shipyards in Holland, Belgium and England are busy filling marine orders for Argentina, he added.

His figures on factory wage levels in these foreign countries were acquired first hand from executives of industries he visited on his tour. The general answer to his question on average wages in Holland was "a guilder an hour." A guilder is worth approximately 25 cents in American money under the devalued currency exchange rate. In France the average hourly wage is 125 francs, or about 28 cents.

Whether these wage scales will result in a flood of low-priced foreign goods into this country depends on the attitude of manufacturers abroad, Mr. Lincoln said. Although they have not yet taken aggressive steps in this direction there are indications that they are becoming increasingly export-minded.

He said that in meeting this competition we have three alternatives. We must raise tariff barriers, reduce wage levels until the differential largely disappears, or maintain present wage levels and increase the productivity per man hour in our industries.

The last of these three is of course the most logical and will result in maximum happiness for all concerned. It is also the answer which is the soundest economically.

The most important thing in determining prices which the ultimate consumer must pay is

not the wage rate per hour, said the incentive author. The most important thing is the number of pieces produced in an hour for which wages are paid. The more that is produced the lower is the cost per piece. Lower costs mean lower prices.

That the wage rate per hour is not important in determining price is well illustrated by the Lincoln Company's experience with foreign markets. European welding industries, despite an advantage of a wage differential of 7 to 1, at present cannot compete in this country because of low productivity. On the other hand The Lincoln Electric Company which pays one of the highest wage rates in the world can go in to those foreign countries and in the face of a 100 per cent duty still undersell the welding equipment manufactured in those countries. The only reason the Cleveland company can do this is because of its high rate of productivity which, measured in terms of dollar sales, is approximately \$30,000 per man per year. This rate of production is roughly four times greater than that of other electrical manufacturers in this country.

The system of incentive management which creates a healthy, free enterprise, democratic working condition in industry is America's answer [and Lincoln Electric's answer] to Europe. It is the answer of how to pay high wages and maintain low prices.