

An Interpretative Forecast of the NRA

Is the Trend Toward Fascist or Socialized Self-Government?

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MR. WALTER C. TEAGLE has recently said that "we are on a new road, a one-way street, by which we can never return."

Perhaps this is the most important thing for business men to remember about the NRA. We can never return to the status quo ante. Fundamentally, if all the NRA legislation were taken off the books in 1934—as it almost certainly will not be—the status of business in relation to competitive practices and in relation to negotiations with employes can never be turned back to the situation that was typical in 1929.

As soon as business men admit this they will be readier to have a flexible and open mind about the future, which will help to lessen the present widespread bewilderment and fear with which they face tomorrow. At least, an understanding of what seems to be ahead if present trends remain in operation may lead to a more sympathetic understanding. And it is one of the assumptions of this paper that these trends, as I propose to outline them, will continue in operation.

The question is, how rapidly will we go and will our intermediate steps be full of conflict and hostility?

It may be objected that this was not the case after the War, when the cry from 1919 to 1922 was back to "business as usual." But it is my contention that the fundamental economic situation of this country, as well as its general economic literacy, has undergone considerable development since 1919; and it is idle to expect that a period of marked recovery will see a rapid face-about to a business-as-usual attitude.

Without trying further to prove this point I would merely suggest that the economic forces today which inevitably press us forward in a new direction are increasing competitive marketing costs, increasing trends toward consolidation in manufacture, distribution and banking, increasing output per unit of capital and labor, increasing pressure for mass purchasing power, increasing sentiment against excessive investment and excessive return from investment, and finally, an increasing demand for strong labor organization.

Because of the pronounced effects of this combination of influences there is a real danger that business men may prove to be their own worst enemies if their obstruction to the NRA becomes more pronounced and active than it has already shown itself to be in certain instances. There is, in the first place, the danger that they will destroy whatever improved morale they had built up with their workers by the development of personnel work in the last fifteen years. For there had been a real gain here. But now the recognition of the right of labor to organize and to speak through representatives of its own choosing, which the NRA explicitly recognizes, has naturally prompted aggressive efforts at labor organization. And if these are consistently and stubbornly obstructed, the loss of employe goodwill will undoubtedly prove serious—indeed has probably already been an adverse factor.

In the second place, there is the danger that business executives may diminish whatever good-will they may have built up in the consumer world if they persistently use the NRA machinery as an instrument for creating unduly high, monopolistic or semi-monopolistic prices and for restricting produc-

tion and potential productivity so that high prices can prevail and all the present high-cost marginal producers can stay in business.

In the field of personnel relations in industry, business has up to now followed policies which on the whole meant doing things for the workers. Personnel work has in essence been of that character.

And consumers have on the whole up to now had to rely on the forces of competition to keep prices down, and have relied upon unregulated free enterprise to keep production abundant and productivity increasing.

The NRA now confronts us with a radically different situation in both of these directions. It proposes to allow workers and consumers to speak directly for themselves. It fosters certain specific conditions as to joint relations with workers which vitally alter the process of negotiation—as well as provisions for minimum wages and maximum hours. And it at least looks toward some control of production and of prices, and of new investment under trade association and government supervision, all of which is potentially a radical departure from all precedents.

Fundamentally, the NRA supported by other features of the New Deal program involves a new recognition of the organic place in the scheme of things of labor, of the consumer and of the investor. Broadly speaking, American economic activity has up to this time been animated by the incentive of individual rewards out of productive enterprise. The NRA says in unmistakable terms that from now on American economic activity is to be helped to develop in the direction of broader democratic use, and therefore with fuller social control of the results, of economic effort. Indeed, members of the Administration have again and again said explicitly that their program looked to a shift in the distribution of our annual national income, so that a larger proportion will go to wage and salary earners and a lesser proportion to owners as such.

This policy has, of course, disturbing implications for those who own, and for those managers who primarily want to represent owners. It is not surprising, therefore, nor should it necessarily be construed as socially unfortunate, that the resistance by employers to the plain intent and implications of this whole policy, has brought in its wake a marked increase of active strikes by manual workers, by farmers, and by unorganized consumer-buyers who refuse to pay current prices. The present situation does unquestionably present a real conflict of economic interests. And employers, especially those of the old school, labor under a real fear that their control, their privacy, and their profits are in jeopardy.

The real question is whether owners and employers can see the handwriting on the wall—can see the intent of the Administration and of the great majority of people who support it—plainly enough to allow their policy of obstruction to change into one of greater alignment with the trends. Such co-operation exercised in good faith in relation to collective negotiation and fair prices could mean the retention of a good deal of trade autonomy of such a sort that the phrase "industrial self-government" might gradually be applied to it. Whereas if there is strong resistance to labor organization and insistence on high

profits, public pressure might force a degree of public intervention and government control in the next two, or three years which might be too clumsy, unwieldy and stultifying to be good from any point of view.

One may not blame people for being afraid that their favored position at the top of the economic heap is endangered. It surely is. But the function of management, as such, is not endangered. And the function of supplying capital out of ownership is not at the moment going to be taken completely away from private owners. For managers and owners to obstruct change, however, is likely to retard an evolution of functions in a more socialized direction. It may well lead by legislative intervention to sudden shifts to a far less favorable position than they now enjoy. Good strategy from their own point of view would dictate more co-operation with the trend.

It is no doubt because of recognition of the dangers in the present situation that Mr. Gerard Swope has recently come forward with a modification of his earlier proposals looking toward a permanent national economic council representative of all economic interests, which might conceivably and eventually take over the over-all organization of the NRA and act as an economic super-cabinet.

I am not here concerned with the details of Mr. Swope's proposal. Nor is my primary theme the need for economic planning as such—although this whole objective is obviously here implied to be desirable.

My primary theme is that some kind of permanent national economic organization is bound to eventuate in this country in the next few years; and that it will inevitably bring under its supervisory and regulatory wing many of the activities with which the NRA is now charged.

My theme is further that no such supreme economic council can function in any realistic way without being dependent upon and built up out of organizations of our respective industries which are broadly similar to our best trade associations or institutes today—with certain qualifications which I will presently set forth, as to how these shall be constituted for regulative purposes.

My theme is, finally, that if business men would come quickly and generally to understand that industry-wide organization is an inevitable economic trend, they will be prepared to co-operate with the NRA as an evolving institution in a new and gratifying way. For then they will see that there is some sense, some philosophy and some economic justification in present events; and see also that the present effort which the Administration is furthering toward organization and representation of workers and of consumers, toward protection of investors and toward control of commercial bank credit, is not just a temporary fad of the brain trust, but is part of a fundamental economic philosophy, and represents a trend which cannot be stopped—and should not!

For, irrespective of how the NRA came into existence, its total effort today unmistakably represents the expression of an evolutionary philosophy in the direction of democratic economic control which, more or less articulately, the Administration is backing. President Roosevelt has himself used approvingly such phrases regarding this development and its machinery as "industrial self-government" and "economic constitutional order."

I do not believe these phrases are just words which can be taken by employers as requiring no changes in their own present outlook and methods. They imply a new alignment of economic interests—and one which depends for its effective working on an organization of those interests. The Administration appears to be clear that it will encourage such organization of these various interests and support the efforts of such organizations to secure open representation.

We seem faced by at least two possible next step alternatives. We may take the road of strongly concentrated economic organization controlled predominantly by present large industrialists and their bankers, with perhaps some nominal sop to organized labor. That way will lie a kind of American fascism which it might take a generation to throw off, although another era of prosperity with its inevitable subsequent depression might shorten this period.

Another possible road would be a deliberate governmental fostering of representative organization among workers and consumers with strong public control of capital and credit issue building up a virtual series of modern guilds with a tripartite control in each industry and an economic super-cabinet of co-ordination. If the owning groups could be brought to accept this alternative they would undoubtedly survive as somewhat autonomous functionaries for some years, although a public policy of encroaching control would gradually lessen profits and lessen other prerogatives of ownership.

There may be other possible alternatives. But if these two are the most likely ones, my own position would be that if business men are successful in establishing the first one—the fascist capitalist state—they are sowing the wind and will eventually reap the whirlwind. They are obstructing the line of moderation in evolution in favor of a temporary advantage and exercise of power from which the future might very possibly see them violently dethroned.

The way of fascist capitalism for America may be in the cards—but it will only be inevitable because owners see their own interests in a too short-sighted and narrow way. Ultimately, it would seem, economic constitutionalism will come. Whether it comes gradually with private owners as temporary partners or ultimately with these owners progressively dispossessed, is perhaps the central issue.

However, it is because I see it as still a possibility that we might elect the second, middle course alternative, that I would like to go on to suggest how we might consciously work in that direction.

Concretely, hope for this second alternative seems to me to require, first, that everything possible be done to bring employers into their proper trade associations. Personally, I would favor some degree of compulsion in this direction in the law or in the codes. And no doubt it will be advisable to group our hundreds of trade associations under a much smaller number of large industrial groupings for administrative purposes. Everything possible should be done to strengthen the effectiveness of trade association and institute functioning.

By the same token, it seems to me, second, to require that the sooner opposition to the effort of workers to organize is recognized as futile, the better off we will be. Such opposition is dangerously obstructive, anti-social and anti-democratic in the light of the economic forces now at work and now being furthered at Washington.

I do not minimize the administrative and leadership difficulties entailed in a more widespread organization of labor. It will not be possible to escape the difficult questions of dealing with competing unions in the same industry or of an undue emphasis upon craft lines in union organization.

But it is certainly clear that we cannot have the kind of organization and representation required of an economic constitutional order as long as there is persistent opposition to the fact of labor organization. As one high labor union official said recently, "If only they would take us for granted," it would then be possible for the unions to turn their attention to a more co-operative and less defensive attitude and program.

Without trying to present any brief for the inevitable strengthening of labor organization. I would point out that it will