The fact of the matter is that managers, like the average run of human beings, are very apt to follow those lines which promise to bring the quickest advantage to themselves. With this idea in mind it will be perceived that the interests of the manager are diametrically opposed to those of labor. It is to the interest of the manager of a business to retain as profits all possible savings derived from the increase in the production of each individual in his organization.

It may be good policy to pay wage rates sufficiently high to attract good workers, and it is usually necessary to set prices to meet competition, but beyond that it would certainly be assinine to go, no matter what savings are accomplished with the aid of machinery.

It matters not that almost all industrial enterprises will ultimately benefit by the widespread distribution of the increased production by machinery. The question is what will be our earnings next month or next quarter?

The situation is not dissimilar to that which confronted labor many years ago when machinery was beginning to displace workers. Those workers who were displaced faced starvation. It mattered not to them that the condition of all labor would be immeasurably improved in years to come by the application to production of machinery and power.

The feelings of Capital are, I believe, to a considerable extent the same as those of Management, although I think in a much milder degree. Certain it must be that the large financial interests back of the great automobile industry must realize the advantage to their industry of an ever widening prosperity.

If the purchasing power of the workers of this country should increase twenty-five per cent it would not be difficult to predict what would happen in many industries. The demand for automobiles would undoubtedly increase to an enormous extent. The building of new living quarters for a vast section of our population would be immediately undertaken and the industries affected by such construction would prosper. All sorts of electrical appliances and conveniences would have their sales augmented. I do not think that the demand for most farm products would increase, nor would many branches of the textile industry prosper to the same extent as those I have mentioned.

Suppose, realizing this, some large financial interests having great influence over many industries, should purchase for speculative purposes, stock in concerns that would undoubtedly prosper greatly by reason of a general wage increase, and should then do all in their power to bring about the increase in wages? It is quite probable that there would be a noteworthy effect because there are a host of managers who listen most attentively to the desires of large financial interests.

I should like to lay before this meeting for discussion, my conclusion that the prosperity of this country will be hastened and increased more than in any other way, by rapid increase of wage rates, where machinery makes this possible. Management stands with great determination athwart this path to prosperity, because the widespread distribution, in any form, of the increased production by machinery is not consistent with the immediate welfare of management.

I am confident that such a discussion will support my contention, and that this Society will endeavor to ascertain some plan of action which will reconcile the immediate advantage of management with the most rapid increase in our national prosperity.

Discussion

Of Mr. Brougham's and Mr. Williams' Papers

William Green.[1] It is my opinion that Mr. Williams has, in the main, given endorsement to the wage policy of the American Federation of Labor. In this respect I am in hearty accord with his logic and his conclusions. The convention of the American Federation of Labor held in Atlantic City, New Jersey, October 5 to 16, 1925, made the following important declaration:

> Social inequality, industrial instability and injustice must increase unless the workers' real wages, the purchasing power of their wages, coupled with a continuing reduction in the number of hours making up the working day are progressed in proportion to man's increasing power of production.

The paper of Mr. Williams shows clearly that many thinking people are approaching a study of the wage question in a most enlightened and scientific way. We are discarding old theories of low wages and low production costs and are accepting the theory of high wages and a constant increase in purchasing and consuming power. If, through the use of machinery and an increase in the productivity and efficiency of workers, the volume of manufactured products will be increased, it is absolutely necessary that we create a market for this increasing volume. This can only be done by a development of purchasing and using power of the masses of the people to a high and still higher level.

[1]President, American Federation of Labor.

How can this be done? There is only one way. It must come through a distribution of money in the shape of wages. An increase in this distribution in the shape of wages must correspond with an increase in the producing power of industry. Experience during the last ten years has clearly shown that wages can be increased and manufacturing costs lowered. Many outstanding employers of labor have declared that high wages are not inconsistent with low manufacturing and commodity costs.

Mr. Williams in his paper states:

> Each man in the automobile industry accomplishes three times as much per hour as he did ten years ago. Ford advertises the fact that between 1913 and 1926 raw material cost increased fifty-two per cent and labor increased one hundred and nineteen per cent. In the face of this the retail price of the motor car dropped thirty per cent.
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> In the steel industry, according to the President of the Chamber of Commerce of the United States, machinery has brought about extraordinary savings of labor. Two men do as much as fourteen in the work of charging furnaces; seven men cast as much pig iron as sixty; in open hearth operation one man does the work of forty and two men can unload as much pig iron in a day as formerly one hundred and twenty-eight men did.

In giving these figures, Mr. Williams might have referred to the glass industry where machines operated by a few employes have taken the place of scores of workers who blew bottles and window glass by individual hand methods.

In the face of all these facts it is quite disconcerting and disappointing to know that there are managers of industrial enterprises who are still opposed to high wages. They seem to believe still that the increasing profits which come through the use of power and machinery and through the development of the productivity and efficiency of the individual worker should go to those who own and control industry. Such a policy would ultimately bring ruin to those who are temporarily benefited. It would be of no value to the owners of industry to install machinery and equip their plants with power so that greater savings and greater economies could be introduced if they were merely to pile up their goods unsold and unused because the income of the masses was so low that it was impossible for them to buy or to consume. Enlightened management will not only attach importance to the theory of economic production but will attach even greater importance to the development of a purchasing and consuming market.

Leonard Kuvin.[2] Any discussion of prosperity must define it. Can we consider ourselves prosperous when eighty-three per cent of the federal income tax reports filed indicate possession of only forty-eight per cent of the nation's income, leaving the balance to the remaining seventeen per cent? The bulk of the nation's money income is in the hands of the very few. A nation cannot be prosperous with vast numbers in want of necessities any more than can an egg be ten per cent fresh.

Though it is self evident it ought to be repeated that the bulk of our purchasing power is vested in the hands of the few. Any study of economic phenomena must not and cannot escape the consideration of our faulty income distribution. We all know, but little consider, that the great numbers of wage receivers cannot buy what is waiting to be produced and sold. We reflect on idle industrial equipment, unemployment, dumping of goods on foreign markets, periodic depressions and the smoothing out of the business cycle, but we little reflect on the smoothing out of the income distribution and the placing of purchasing power in the hands of consumers.

In 1925, over one million returns, or twenty-eight per cent of all, were for incomes of less than $2,000 per year; two million, or forty-eight per cent, for incomes under $3,000 per year. In other words, about half of the incomes reported were of less than $3,000 per year and more than one quarter were of less than $2,000 per year. We must not forget that our machinists, draftsmen, designers, engineers and production men are in these classes. The men who contribute so much to production do so little consuming. Little wonder that there is idle industrial capacity.

If we say that our industry is idle twenty-five per cent of the time, we can say that about five

[2]Index Number Institute, New Haven, Conn.