

There is one very insidious form of overproduction of which I have seen examples. Some manufacturers tell their workers that wages must be cut, but that this will be made up for by increased work. Of course, if an industry as a whole does this it accentuates overproduction and eventually and quickly cuts out work. This does a double injury to workers. It misleads them and gives them irregular work. Indeed, in addition it so reduces prices as to provide excuses for still further reductions in wages. The only reason a few can get by with this policy is that the majority do the sensible thing and try to keep production down. I believe education will gradually eliminate this bad influence in industry.

There is one thing of importance in the cotton-textile industry which I wish to mention briefly. During the War night work, which had been employed to a considerable extent before, came to be a very general feature of the industry. The situation took care of itself while the War lasted because of the unusual demands, but as soon as it ended overproduction was greatly accentuated by night work. By degrees it has dawned on the industry that this condition promises to be destructive and that the only sound method of operation is on a day-shift basis. There has been a very definite movement in this direction and it is still making progress. It deserves the example and support of all because it is at present the most important single element in keeping production in balance with demand.

I want to speak for a few minutes on the legal aspects of this question. Mr. Thompson has mentioned the anti-trust laws, as I shall do. But we are not speaking on the same phases of the laws. He has in mind particularly combinations and mergers of industrial units, especially those mergers which eliminate competition. I have in mind co-operation among industrial units which remain separate and distinct. I think a binding agreement among separate units to keep production in balance would be in the public interest in those industries where a serious overcapacity exists. This should be considered not as a restraint but rather as a promotion of trade.

Some confusion has existed as to the attitude of the courts and the Department of Justice has spoken of the impropriety of agreements to restrict production. But the Department must be referring

to reducing production below demand. There is no question of the impropriety of this, and I do not refer to it. I refer to *balancing* production with demand. This will not create any form of restraint but will remove one. This kind of an agreement is not, in my opinion, in any way a violation of the anti-trust law. The language of the law is very general. It is for the court to determine the effect of an agreement. If the court decides that it is for the purpose of balancing production with demand and avoiding the demoralization which accompanies overproduction, it is not a violation of the Anti-Trust Act but actually promotes the purposes of the act.

Forty years ago when the Anti-Trust Act was passed conditions were entirely different from what they are now. Under those conditions restraints on production might have had a very sinister implication. Under present conditions capacity outruns normal demand. Severe limitation of exports, hand-to-mouth buying and other factors have brought about a series of fundamental changes in the relations between production and demand.

Further, there is an increasing appreciation of the inter-relationship of classes of the public and the blending of their interests in our country. Since the War there has been a realization that it is important to manufacture and distribution that agriculture and labor shall have adequate purchasing power. It is coming to be understood also that agriculture and labor need greater stabilization of manufacture and distribution. All this would justify the courts in taking a more comprehensive view as to what is really a restraint of trade.

We find that governmental expressions have for years been to the effect that industry should improve its status by relating production to demand; and that the public interest would be served by this better balance. All along the line industries have been urged to adopt forms of self-government which will protect them from demoralization. Stabilization has become the watchword of the world. It is needed to minimize fluctuations in agriculture, labor and manufacture, to restore confidence, to avert depression. It is needed in both national and international banking, and all to remove restraints on commercial intercourse.

If all those things are true, then agreements which promote stabilization and are free from injurious consequences cannot be regarded as viola-

tions of a law whose sole purpose is to prevent restraint of trade.

There has been a great deal of discussion about amendments to the Anti-Trust Act. It seems to me that it expresses a sound principle as it stands. My proposition is that the courts are not bound to assume that any trade agreement is necessarily in restraint of trade. It should be the function of the courts to examine the whole case and consider

the interests of all the groups affected. The law should be enforced in accordance with present business realities and modern concepts.

Mr. Thompson made some striking comments on the difficulties involved in trying to get a body like the Federal Trade Commission to rule in advance on problems of mergers. I want to emphasize the fact that I have not at any time been referring to problems of mergers.

A. Tabular Presentation of the Principles, Technique and Chronological Development of Scientific Management

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THE table on the following pages is taken by permission from the paper by Dr. Person, "Scientific Management as a Philosophy and Technique of Progressive Industrial Stabilization," presented at the World Social Economic Congress held in Amsterdam, Holland, in August, under the auspices of the International Industrial Relations Association.

The sixty-four page paper from which it is taken was prepared as an answer to the question, "What has private industry developed in the nature of a basis for a technique of national and international planning if the latter should be proved to be desirable?"

The argument in the paper runs along three lines: (1) scientific management is a technique of stabilization of managerial situations; (2) its history is that of a compulsion, in order completely to stabilize any lesser area (e.g., production), to reach out and stabilize the influencing environment (e.g., sales); and (3) the best managed (most stabilized) private industries are now victims of an unstable economic environment, and are confronted by the necessity of stabilizing that environment through some form of collective control of industrial processes. The answer to this problem is application of scientific management on the collective plane; particularly the establishment for national industry of a research and planning unit

which would work out a national budget of production matched to consumption, rendered voluntarily acceptable by the weight of controlling facts disclosed.

This paper will form part of the proceedings of the Congress to be issued in December. We are able to announce, however, that there is still available a small supply of "advance reports" printed for the use of delegates at the Congress, as follows:

Section I, The Present Paradox—Analysis of Fluctuations in Employment and Unemployment, 1910-1930, in seven countries by five economists; 8 pamphlets (one in German text with English synopsis) with charts and tables, 331 pp., \$1.50.

Section II, Principles and Practicability of Economic Planning, including Dr. Person's paper, von Haan's "European Aspects of the Rationalization Movement" (German text) and Lorwin's "The Problem of Economic Planning"; 3 pamphlets, 144 pp., \$1.50.

The two sections can be procured for \$2.50 and this amount will be credited on any later purchase of the complete records of the six sessions of the Congress. Orders for these advance prints will be filled while the supply lasts by I.R.L., Javastraat 66, The Hague, Holland, but the orders may be sent to the office of the Vice-President (Mary van Kleeck), Room 600, 130 East 22d Street, New York.