

The Hazard of Business¹

The Present Need for New Motives in Industry If It Is to Operate for the Public Good

By HORACE B. DRURY

United States Shipping Board, Washington

AS I understand it, national planning, as opposed to the more familiar type of planning which deals with the affairs of a single plant or business organization, is the effort to bring order into that vast and nebulous field that lies outside the scope, outside the functioning, of any one establishment. This field is as broad as the world and as intricate as human life. National planning involves not one step, or one decision, but an indefinitely large number of decisions and efforts. Its work will never be completed as long as mankind lives, and grows, and changes.

Although we may not hope at this meeting of the Taylor Society, or at a thousand such sessions, to arrive at anything approaching finality as respects national planning, those who are interested in this subject should not despair of accomplishment because of the formidable ramifications of the task. If a general public sentiment can be built up in favor of broad economic planning as an idea, this one achievement should in itself lay the foundation for simultaneous progress along many widely different lines. In each individual field, the leaders of thought could then apply their special knowledge and abilities toward the common goal. Also, we can multiply many-fold the results from our efforts if, as rapidly as the growth of public sentiment will permit, there can be effected such changes in the structure, and also in the spirit, of our economic organization as would permit an organized industry to do much of our planning for us.

Having made these rather general remarks, I will not attempt during the few minutes that are allotted to me to go farther into the vast subject of economic planning as a whole. Instead, I shall confine myself to discussing just one of the numerous concrete problems which must be solved if we are to have a well-planned economic system.

For the last two years no problem has given the world so much concern as the depression; and no feature of our economic system has been so bad in itself or stood so much in the way of progress along

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practically all other lines as this same depression. There are perhaps some who believe that the present depression is simply a repetition of what has occurred many times before; that occurrences of this kind are to be expected every so often; and that, on the whole, we might as well reconcile ourselves to them. Like many of the rest of you I have found it difficult to formulate even in my own mind an opinion as to the causes and significance of the depression. But of late I have been coming to feel more and more strongly that what we have been viewing as a depression might better be regarded as representing a major breakdown in our traditional plan of underwriting industry. The existing breakdown may or may not prove to be temporary. But it seems to me that the causes which have brought it on are permanent; and that revival, if it comes, must necessarily be followed by further and more serious breakdowns, until our economic structure is remodeled in some rather fundamental way.

The trouble, as it appears to me, is that investment, that is, the application of funds to employ labor and put industry in motion, has become permanently insecure. The outstanding characteristic of the period between 1925 and 1929 was what has generally been spoken of as overproduction. This condition was not peculiar to one industry but applied to practically all industry—to coal, textiles, copper, coffee, radios, automobiles, etc., etc. In all industries stocks were accumulating, and the equipment was capable of producing much more than was actually being produced.

Probably we did not in most of these industries have real overproduction in a physical sense. Had producers been willing to take a smaller margin of profit, had wages been raised and the purchasing power of masses of the people thus increased, I have no doubt that, although there might still have been overproduction in some specific lines, on the whole the world could have consumed far more than all the mines and factories and farms could have produced. According to generally accepted economic theory, the logical sequel to conditions such as existed prior to 1929 should have been a lowering of profits and inter-

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est rates, a relative increase in wages, and the establishment thereby of a new equilibrium, under which production and employment could have again gone forward in full swing.

The tendency toward what has been called overproduction does not, however, represent the only important characteristic of recent economic development. Another outstanding fact, to which I wish to draw your special attention, is the rapidly increasing hazard which has been creeping into general business life, due to intensification of competition, and the changeableness and uncertainty of economic and other conditions. The period prior to 1929 was not one of universal business success. If one looks at the companies and industries that grew and prospered, success was phenomenal. But such important industries as the textile industry, the coal industry, farming, shipping, the piano industry, the phonograph industry, as whole industries, were in trouble. In England, hard times were general. Even in the countries and in the industries where prosperity was greatest, there were many individual concerns which were failures. This failure applied not merely to the weak, but in many cases to the strong, to those who had at some earlier time made great fortunes. Some of this failure, such as that of Armour, revealed itself long ago. Much of it, however, such as that of Lord Kylsant in England, was concealed, and did not come out in full clarity until the slump laid it bare.

Profits in business have always been irregular. But I should like to suggest the following reasons for believing that business success, for the great majority of business enterprises, is becoming increasingly uncertain.

1. The business man no longer has special preserves, special territory, where he has an established and more or less secure position. Business competition has now become national, if not world wide, in its scope. At almost any moment, a business man's carefully built up trade in Atlanta, or Rochester, or Chicago, may be invaded and imperiled by a competitor who works from almost any point in the United States. Moreover, the lines of demarcation between industries are not definitely fixed. The firms in one industry are continually making sorties into other more or less related fields—all of which tends to cut the ground out from under a business man.

2. The external conditions in many lines of business are to an increasing extent subject to more or less arbitrary control exercised by the government, by large

corporate or other strongly organized business forces over which others among the interested parties have no control, or by actions taken in foreign nations. Throughout much of our industrial structure, the destinies of companies have come to be influenced by tariffs, government subsidies, public regulation, or other legislative or administrative acts, which, while they may in certain ways be helpful, yet introduce a new type of hazard. In many lines of industry a single competitor, or one supplier of materials, or one purchaser of the product, is so large, or one group of business men so powerful, that some policy adopted by that one company or that group—even though it is not so intended—may change the whole situation for other companies. To an increasing extent, therefore, the individual business enterprise, whether large or small, cannot count on a smooth development of its business along lines which the management can themselves foresee or control.

3. The technique of production has never changed more rapidly over wide areas of industry than since the war. New discoveries in chemistry, new types of machinery, new methods, such as those of scientific management, have in countless instances caused a product to be displaced by other products, or rendered methods of production obsolete.

4. The consuming world has been rapidly changing. Changes of a political nature, changes in purchasing power, changes in national habits, have radically altered both world and local markets. Nor was it to be expected that with an improvement in general conditions markets would become more stable. To the extent that the standard of living is raised above a subsistence level, people's fancies largely determine the character of their consumption. And fancies are very much subject to manipulation and unpredictable change.

Without going into further details with regard to what has been happening in recent years along the two main lines which have here been discussed, may I now offer this thesis:

Owing to epoch-making improvements in industrial technique, in the making of which the group represented by the Taylor Society has been as influential as any other, the productivity of industry has now been brought to a point so far above the amount of goods actually necessary to sustain life, the surplus of individuals and corporations which is available for re-investment in capital equipment has become so considerable, that we are now actually approaching, and could in due time reach, a point where we would have