

law." The Federal Trade Commission holds conferences with representatives of trade associations executives and announces that its meetings are "further evidence of the desire of the commission to enlist the co-operation of business men in the discharge of its functions on the basis of confidence and understanding."²⁷ The Department of Commerce has for a decade been promoting a movement toward greater standardization of the products of each trade, and in some industries has achieved noteworthy simplification of varieties. Certain industries, notably the steel industry, have established institutes to accomplish such stabilization as is permitted by law, and not a few industries have appointed individuals—"dictators"—with authority of the industry to promote regularization through agreements as to common practices. The device of the holding company has had strong influence toward regularization, for it brings legally separate enterprises under the ultimate direction of concentrated ownership. Nearly every industry has its trade association which attempts to achieve some degree of regularization through educational processes. While there has not been, and could not at present be, any effort to organize any industry with such stabilizing effectiveness as that of some of the competing individual members, there has been progress in establishing uniformity of operating practices by making the best elements of technology and data concerning basic conditions of the industry common information of all members of an association.

These associations are not permitted to engage in activities which would suppress competitive conditions. They may not restrain trade through concerted selling operations, concerted exclusion of outsiders from a market, agreements to curtail production or price-fixing agreements. On the other hand, they may regulate competitive conditions by maintaining exchanges of buyers and sellers, collecting and distributing statistical information concerning business and the particular industry, interchange of patent rights, interchange of credit information, joint negotiation of purchases, standardization of products and trade practices, the development of business standards, stimulation of demand, co-operative insurance, traffic bureaus, arbitration of disputes and co-operative research in management, as well as other phases of technology.²⁸

²⁷Loc. cit.

²⁸Trade Associations: Their Economic Significance and Legal Status, New York, National Industrial Conference Board, 1925, *passim*.

Observe that while those things which they may do tend to promote uniformity in details of productive technology and commercial practices, it is those things which they are not permitted to do which are essential to stabilization of an industry. A budget for general administrative control of an industry conceived as one great enterprise, adjustment of consolidated sales to the consolidated market, or of consolidated production facilities to calculated consolidated demand, and the routing and scheduling of operations to individual enterprises (the workplaces of the industry) are impossible. Yet it is these things, as we have seen, which on a smaller scale have achieved stabilization of individual enterprises. It is failure to regularize competitive business enterprising as distinguished from technological processing that is responsible for such periods of depression as the United States is now compelled to suffer.

In this field the influence of scientific management has been limited. It has had influence on the development of technological uniformity among competing enterprises, especially as it has been brought about by trade associations and institute activities. The leaders of an industry who conceive the necessity and promote the organization of a trade association, and who serve on the directorates of these associations and determine their practices, are generally those individuals whose plants constitute the progressive group in the industry and have been strongly influenced by scientific management. The mental attitude of the managements of these plants, and some of their adapted technique, are carried over into the organization and operations of the trade associations. Such regularization of the industry as is permissible by law becomes the objective of the trade association just as it is the objective of individual plants. Investigation—the collection of technical and general trade information—is usually an important activity of the trade association. Standardization of procedures of managerial technology, such as cost accounting, and, to a certain extent, of products and materials, also is an important activity.

As a result of trade-association investigations and reports there is progressive accomplishment in helping member concerns to be more informed concerning the general technological and competitive situation in an industry. What items to produce, and their quantities, markets, costs and prices, are brought into some slight degree of informal adjustment by the fact that legally separate enterprises make their individual decisions

more intelligently on the basis of an increasing amount of common information on these things in the industry.

The stabilization of an industry in this casual manner is superficial and relatively ineffectual as contrasted with the stabilization of the individual enterprise which we have described. Any organized planning agency for planned control of an entire industry is legally impossible. Also the researches, investigations and standardization which are carried on are not determined by specific problems of control and therefore have not that inclusiveness, uniformity, consistency and general adequacy essential to effective regularization. The railroad industry through government regularization has become more stable than any other; the steel industry, because of the influence of one great corporation among competitors limited in number by the costs of capital investment, perhaps ranks next in stability; the electric-light and power industry through a pyramid of holding companies is becoming more stable. Except for these three instances, and the superficial regularization of other industries through the forces already indicated, the United States has no experience to offer along the line of stabilization of entire industries.

Yet the idea of stabilization of entire industries is at present receiving considerable thought in the United States. History is repeating itself. Just as it was once perceived that in an individual enterprise a workplace cannot be made stable without regularizing the entire shop, and production cannot be made stable without regularizing the volume of its business, so American managements are beginning to perceive that they cannot make an individual enterprise reasonably stable without regularization of the environment represented by the industry of which it is a competitive unit. But it is the leaders of the stronger industrial enterprises rather than the general public whose thoughts are turning in this direction. The former are thinking about the opportunities for regularization without sacrifice of individualism, which repeal of the restrictive legislation would afford. They do not think it wise to be too vocal in this thinking—a public utterance now and then is all that is discreet lest the fears of citizenship for monopolies be again revived. The general public, on the other hand, perhaps fascinated by the experiment of the Soviet republics, is thinking more about stabilization of the total industry of the country. This more inclusive concept, however, assumes as essential thereto, and as a matter of course, without much discussion, the concomitant stabilization of each component industry.

Stabilization of National Industry

The depression of 1929-1931 has had a profound influence on thinking in the United States. There are several reasons for this. The relative number of unemployed is probably greater than that of any previous depression. The industrial activity of 1929 was the most intense in American history and the psychological reaction to sudden depression correspondingly severe. There has been during the decade a considerable amount of technological unemployment, resulting from widespread introduction of new mechanical equipment and from consolidations, and this has affected not only skilled workers but also executives, and has given these intelligent groups cause for serious thought. The incomes of a majority of the people have declined and their standard of living has been reduced, which has caused a widespread feeling of economic insecurity. It should be observed, parenthetically, that psychologically the base from which security is measured is not a subsistence income but that income to which one has become accustomed. There is also the influence of the fascinating experiment offered by the Soviet republics. For these and other reasons the present depression has stimulated more questioning about the organization and management of industry than any similar national experience.

Those in the United States who hold doctrines which answer this questioning by advocating immediate nationalization of industry are few in number. But many conservative leaders of thought recognize that the feeling of economic insecurity affects so large a proportion of citizens that democratic processes of government may lead to remedial legislation which, if unplanned and piecemeal, may increase rather than reduce industrial confusion, and lead eventually to an irresistible movement for nationalization. To avoid this highly probable outcome in particular, and in general to preserve a system in which social organization and development is left to individual self-interest and initiative, they are giving attention to the problem of a better control of industry through some individualistic form of national planning.

The most conspicuous reaction to the present situation has been an increasing interest in measures for relief of unemployment: something more automatic and positive than emergency and temporary organization for application of the contributions of charity, which has heretofore been depended upon. The device which receives most favor is unemployment compensation.