

lished in plants where a regularization of employment already existed.

The impression left by Mr. Westing's argument is that he looks upon the worker as an employe of a particular plant, chained to his job, and not as a person who may be free to change his place of employment; because these private funds tend to keep him in subjection and afraid to combine with his fellow workers lest he lose his position and with it the promises of financial security that tragically enough have no legal standing.

The main principle of insurance, the sharing of the risk, is not recognized by Mr. Westing, who warns against its consequences. Some of us still remember how opponents of workmen's compensation argued along similar lines. But now even the die-hards would never dream of returning to the days when injured workers were not partially compensated. The need for compensating unemployment is even more acute because under our present system every worker is exposed to the injury of unemployment and society as a whole suffers as a result. At present the labor movement and a greater portion of enlightened public opinion demand that compulsory unemployment insurance by industry, with the state administering it, be established immediately. But there is a prevailing opinion that before long this will be found inadequate.

To strengthen this position, may I quote from Professors Berle and Means' "The Modern Corporation and Private Property":

Two hundred corporations in the industrial field in America control nearly fifty per cent of the assets of non-financial corporations in the country. . . . If trends toward concentration continue, by 1950 these two hundred will control about eighty per cent of the assets of our non-financial corporations.

Since capital is constantly merging, the labor problem is increasingly assuming national scope. Workers cannot be protected on a single plant basis. The only practical way to make unemployment insurance solvent is to pool the contributions of all the industries. Stable industries should bear part of the cost for the unstable industries (which are essential to the well-being of organized society). Such a system would place unemployment insurance on a community basis, and distribute the risk more equitably. Would it be possible to carry on our community if only the sick were compelled to provide funds for the support of our hospitals? How do we maintain our free public schools?

The theory that claims that citizens should not be taxed for providing unemployment insurance is a myth. Individuals have contributed hundreds of millions of dollars for the various relief funds, and the most deplorable fact is that many who were financially unable and least responsible for the situation have been compelled to assist by sharing of work and reduction of wages; and this certainly has not helped to bring the country back to normal conditions. Also most of our cities and states have made contributions. Is this not taxation? No one questions that this is a most inefficient and costly method of collection and distribution, besides being humiliating to those who receive the relief.

There will be pointed out the illegality for Congress to enact social legislation without a constitutional amendment. I am for the enactment of such an amendment, but meanwhile Congress may contribute to state unemployment insurance funds on the same basis by which it assists in the construction of good roads. The details of the procedure I should rather leave to our legal talents to arrange.

Mr. Westing emphasizes thrift. Thus the workers are bewildered by two appeals. The industrialists say *spend*; the bankers say *save*. The worker does not know which advice to follow.

It is an established fact that even during the height of prosperity we were suffering from too much saving on the part of the investor and too limited income allowed to the consumer. Many are convinced that this is the chief cause of our present chaos. The only remedy against such a destructive social condition is to redistribute the hoarded wealth and restore mass purchasing power.

The trouble is not caused by technological development, as so many good people try to make us believe, but in the way it is administered. Increased productivity could be made a blessing if all who share in the production of wealth should also share in its distribution. We in the labor movement are for further research that will lead to increased technological development and finally free the workers from much of the drudgery connected with work, provided that society has a control over it so that the benefits of increased productivity and leisure are shared by all.

The urgency of the present situation impelled the A. F. of L. at its recent convention to adopt a program of which one of the main features was the six-hour day and the five-day week. While previously this has been argued as a question of health and culture, now it has become an economic question, because improvements in methodology have been immensely increasing the individual's productivity. We must realize that we are confronted with a most gigantic problem, more serious than the one that confronted the nations after the Great War—the re-employment of millions of jobless. There are many who believe that a very large number of our army of unemployed will never again find employment without a radical change in our economic system.

It is timely here to give a note of warning; that though the unemployed were stunned into inactivity by the suddenness of this economic disaster, they will not submit to permanent unemployment and a life of poverty. There is a growing conviction that redistribution of wealth is essential to relieve the present situation. The means of achieving this is through the shorter work day and week, and by providing the workers with an uninterrupted income and sufficient purchasing power, which could be done by having the state and Federal governments (especially the Federal) tax the higher brackets—taxing income, capital, and inheritance—and spend the revenue for social services.

The present situation cannot be met with personal, individual or company welfare plans, but by compulsory social legislation, of which unemployment insurance is the major demand. Of course we realize that unemployment insurance is only the means to an end, not the ultimate goal. Workers want to produce for the enjoyment of life, for more leisure, for a higher culture. They are convinced that under the present technical development they can enjoy all this, provided human happiness is the first consideration. But we live under a system which creates enforced idleness. Until the right of every man to a livelihood is established, social legislation will be the only protection of the worker.

While it is considered that the Taylor Society has made a great contribution to the efficiency that has led to increased productivity and accumulation of wealth, it is now expected that the Society will recognize its responsibility in assisting to devise an equally efficient means for distribution of that same wealth.

#### Annual Dinner

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Small Ball Room, Hotel Pennsylvania, New York

## Who is Responsible for Buying Power? Importance of the Wage-Price Relationship in an Economy

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*This analysis of buying power responsibility is taken from a more comprehensive treatise on scientific economic controls. It was completed about two years ago as a part of an investigation of general trading conditions affecting the economy of an enterprise. The study is given here because it bears definitely on the present recovery program.*

WITH a constructive objective in mind, we may ask not only who is responsible for buying power, but also what is the extent of the responsibility. If we disregard certain equities, which are obvious later in this article, we may easily dismiss these problems by saying that enterprises must pay wages, either in accordance with specific trade codes or in accordance with the blanket code of NRA. Undeniably this solution promotes employment and increases somewhat the wage fund for consumption demand. On the other hand the codes tend to eliminate competition and bring about rapid price increases or excessive prices (by uneconomic utilization of capacities) which lessen the effectiveness of this wage fund to build up demand and thereby accumulatively restore economic activity to normal. As the wage and price factors draw apart consumption forces price rebates and other adjustments which serve to discourage production since they mean smaller or no profits. In this manner, the economic law of supply and demand rebels at the unfair conditions set up for economic barter.

In the first stage of the NRA program, emphasis was placed entirely on the necessity of building up buying power, and there was no consideration given to the matter of price. Such a program glosses over the share of national income going to capital and land (the last primarily governmental overhead) and enthusiastically believes that wages and salaries will result in sufficient demand to build up the broken-down structure. In the second stage price increases resulted in widespread speculation in securities as well as commodities, tending to force us back more deeply into depression. In this second stage there is some confusion; on one hand, AAA is endeavoring to bring farm prices back to former levels, and on the other hand, NRA is asking producers to endeavor to avoid price increases—at least until the proper demand is brought on by the increased wage fund. The object of this article is not to criticize destructively, but to point out a wage-price relationship which is of paramount importance.

A certain amount of dogmatism is required for constructiveness, especially in the field of economic science. This dogmatism enables me to state, in defiance of several doctrines of economic thought, that all costs are incurred by the employment of men. Conversely, if men were not employed in economic activities for their specialized services to society, there would be no costs of production. When we say that a share of produced wealth rightly goes to capital in return for the use of savings and in return for making work possible in large, efficient organizations, well equipped with tools of production, materials, etc., we mean that certain individuals are receiving a share of the production by their natural rights of ownership of technical facilities they have provided. When we say that a certain portion goes to land, we mean that the landowner—who invests his savings in land property, maintains it, pays taxes, and leases its use—is getting a share for his services. These views do not dispute our major premise that all costs

are due to employing men to carry on essential economic activities. They simply show, from the capitalistic viewpoint, that other men besides hired and salaried workers render essential services to society.

Because the various members of the economic society render various specialized services, they earn wages (used in a very broad sense) which sum up to national income. Individual wages are given in return for a specialized service and attest to the right of the individual to secure life requirements furnished by his society. From this viewpoint economic barter aims at distribution for use and not for accumulations of credits which cannot be economically invested in capital goods and therefore represent unused production (called also over-production). By our major premise, national income is automatically generated to pay for the values produced. When excessive portions go to land and capital the natural economic equilibrium is destroyed. Our main problem appears to be to determine what portion should go into the creation of consumption demand and what portion should go into the replacement and increase of capacities for a society growing in both size and standards of living.

The various economic services rendered cannot be easily traced through the complexity of exchanges; this complexity however need not disturb the simple logic of economic barter. For convenient classification in economic science, the various services have been called capital goods and consumption goods and services. Actually there is no clear line of demarcation between the two. Materials and services are produced in a given period and have various terms of duration depending on their use. Their production during the period is tempered by demand. Heat and food are promptly consumed and may be said to have short terms of depreciation; clothing has a somewhat longer period; automobiles are depreciated over a period of from five to ten years; machinery ten years; buildings twenty to fifty years. A year's national income is generated during the process of producing these various direct and indirect items of life requirements. Production of food is planned for daily consumption while building construction (not so easily forecast) is adjusted to general growth.

In our economic society the enterprise pays the wages; therefore it is inserting buying power by contributing to the fund which pays for the goods and services produced not only by it but by all enterprises. This is the same as saying that by rendering essential services to society its members are entitled to subsistence. Arithmetically this right is expressed in the following form:

$$\text{Wages paid in the enterprise} = \frac{\text{Number employed in the enterprise}}{\text{Average subsistence for each worker (and dependents)}}$$

The enterprise also is engaged in supplying a portion of this average subsistence for all workers gainfully employed, including its own workers; i. e., it secures its sales income from supplying this portion. This logic may be expressed in the following form: