

THE RED FLAG

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MODERN BUSINESS METHODS

From the Point of View of the Common Good

Extract from Thorstien Veblen's
"State of the Industrial Arts."

[Veblen's theory is that the late-modern outlook on social institutions is that they are to be justified only in terms of output or service, in contradistinction to the older metaphysical ones of "natural right" or "divine right." The most advanced expression of the former conception are the industrial proletariat who have come to hold that materialistic conception through their close association with the mechanistic processes of modern production. In consequence of this, they view livelihood as the primary purpose of productive activity. On the other hand, the bourgeoisie view production in terms of profits which they hold to be the "natural right" and outcome of invested capital.

Referring to the necessary practice, under capitalism, of curtailing production in the interest of business-like profitable sale of products on the market, Veblen discusses to what extent the resultant loss to the community as a whole is greater than the business community's gain.]

The question as to how much this "incapacity by advisement" has amounted to may be attempted somewhat after this fashion. Today, (Oct. 1918,) under compulsion of patriotic devotion, fear, shame and bitter need, and under unprecedentedly shrewd surveillance of public officers bent on maximum production, the great essential industries controlled by the vested interests may, one with another, be considered to approach perhaps even conceivably to exceed a fifty per cent. efficiency; as counted on the basis of what should ordinarily be accomplished by use of an equally costly equipment having the disposal of an equally large and efficient labor force and equally good natural resources, in case the organization were designed with an eye single to turning out a serviceable product, instead of, as usual, being managed with an eye single to private gains in terms of price.

To the spokesman of "business as usual" this rating of current production under the pressure of war needs may seem extravagantly low; whereas, to the experts in industrial engineering, who are in the habit of arguing in terms of material cost and mechanical output it will seem extravagantly high. Publicly, and concessively, this latter class will speak of a 25 per cent. efficiency; in private and confidentially they appear disposed to say that the rating should be nearer to 10 per cent. than 25. To avoid any appearance of an ungenerous bias, then, present actual production in these essential industries may be placed at something approaching 50 per cent. of what should be their normal productive capacity in the absence of a businesslike control looking to "reasonable profits." It is necessary at this point to call to mind that the state of the industrial arts under the new order (machine production) is highly productive,—beyond example.

This state of the case, that production in the es-

sential industries presumably does not exceed 50 per cent. of the normal productive capacity, even when driven under the jealous eye of public officers, vested with power to act, is presumably due in great part to the fact that these officers, too, are capable business men; that their past training has been given them by long, exacting and successful experience in the businesslike management of industry; that their horizon and perspective in all that concerns industry are limited by the frame of mind that is native to the counting house. They, too, have learned to think of industry and its administration in terms of profit on investment, and, indeed, in no other terms; that being as near as their daily work has allowed them to take stock of the ways and means of industry. In so characterizing the situation there is, of course no desire to impute blame to these business-like officials.

"They are all honorable men." But like other men they are creatures of habit; and their habit of mind is the outcome of experience in that class of large, responsible and remunerative business affairs that lie somewhat remote from the domain of technology, from that field where the mechanistic logic of the industrial arts has something to say. To return to the argument, it may be conceded that production in the essential industries, under pressure of war needs, rises to something like 50 per cent. efficiency. At the same time it is presumably well within the mark that this current output in these essential industries will amount to something like twice their ordinary output in time of peace and business as usual. One-half of 50 per cent. is 25 per cent.; and so one comes in sight of the provisional conclusion that under ordinary conditions of business-like management, the habitual net production is fairly to be rated at something like one-fourth of the industrial community's productive capacity; presumable under that figure rather than over.

If the account as presented above does not appear to foot up to as much as the conclusion would seem to require, further account may be taken of that side-line of business enterprise that spends work and materials in an effort to increase the work to be done, and to increase the cost per unit of the increased work; all for the earnings of the concern for whose profit it was arranged. It may be called to mind that there still are half-a-dozen railway passenger stations in such a town as Chicago, especially designed to work at cross purposes and hinder the traffic of competing railway corporations; that on the basis of this ingeniously contrived retardation of traffic there has been created a highly prosperous monopoly in the transfer of baggage and passengers employing a large equipment and labor force and costing the travelling public some millions of useless outlay yearly; with nothing better to show for it than delay, confusion, wear and tear, casualties and wrangles, twenty-four hours a day; and this arrangement is, quite profitably, duplicated throughout the country as often and on as large a scale as there are towns in which to install it. So again,

there is an exemplary weekly periodical of the most widely reputable, and most profitable class, with a circulation of more than two millions, which habitually carries some 60 to 80 large pages of competitive advertising matter, at a time when the most exacting economy of work and materials is a matter of urgent and public need; with nothing better to show for it than an increased cost of all the goods advertised, most of which are superfluous. This too, is only a typical case. Indeed the whole business community is run through with enterprise of this kind so thoroughly that this may fairly be said to be the warp of the fabric.

All these intricate arrangements are by no means maliciously intended. They are only the ways and means of diverting a sufficient share of the annual product to the benefit of the legitimate beneficiaries, the kept classes. But this apparatus and procedure for capturing and dividing this share of the community's annual dividend is costly—one is tempted to say unduly costly. And yet as a business proposition it seems sound enough, inasmuch as the income which it brings to the beneficiaries will presumably foot up to something like one-half of the country's annual production.

There is nothing gained by finding fault with any of this business-like enterprise that is bent on getting something for nothing, at any cost. After all, it is safe and sane business, sound and legitimate, and carried on blamelessly within the rules of the game. One may also believe dutifully that there is no real harm done, or at least that it might have been worse. It is reassuring to note that at least hitherto the burden of this overhead charge of 50 per cent. plus has not broken the back of the industrial community. It also serves to bring under a strong light the fact that the state of the industrial arts as it runs under the new order, is highly productive, inordinately productive. And, finally, there should be some gain of serenity in realizing how singularly constant has been the run of economic law through the ages, and recalling once more the reflection which John Stuart Mill arrived at some half-a-century ago, that, "Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being."

MR. GARY WILL NOT DEAL WITH UNIONS

NEW YORK.—Elbert H. Gary, chairman of the board of the United States Steel Corporation, made public yesterday a communication sent by him to a committee of the American Federation of Labor, which is organizing workers in the iron and steel industry, asserting that his corporation would decline to discuss business relations with trades unions as such.

Mr. Gary's letter was addressed to John Fitzpatrick, chairman of the committee, and his associates. It was a reply to a request for an interview to take up with him the questions of hours of labor, working conditions, and union recognition.