THE STABILIZATION NONSENSE

BY ABRAHAM EPSTEIN

Depressions, too, are not without their compensations. The panacea industry had never known such good times. Countless "experts" throughout the United States are consuming tons of paper in mimeographed twelve-page letters advising us how prosperity can be restored. Hundreds of economists are busy explaining away their now discredited New Era Economics. Unemployed journalists have found lucrative employment in devising "planned economies" for five years, ten years, twenty years, or what not. United States Senators, Congressmen, and humble State legislators have been kept busy holding hearings, thus giving employment to hordes of stenographers and keeping the Pullman berths occupied. High-powered executives and bankers with time on their hands have been preparing cheering speeches for Chambers of Commerce and trade conventions. The indirect benefits are beyond statistical estimate. More and bigger conventions have kept the hotel industry from going bankrupt, farmers have benefited by the increased consumption of chicken patties and peas, and waiters have been kept on the jump. Were it not for the flood of unemployment relief speeches, the broadcasting industry might have perished long ago.

The greatest of our minds have been sweating thought. That thought has convinced them that the United States would be better off without unemployment. Being men of action, they have resolved to abolish it. They will have naught to do with palliatives: nothing short of complete abolition will satisfy them. America must have no truck with anything that is not perfect. Having discovered that unemployment is due primarily to lack of employment, they propose to have industry guarantee work to all its workers as the "distinctive American contribution to the problem of preventing unemployment." The researches of such foreign students as Sir William Beveridge and Sidney Webb are dismissed as irrelevant to the American system. Leading industrialists assured a Senate committee recently that industry suffers from unemployment, "not at all because it has to, but because it thinks it has to;" and a railroad president declared that all that is necessary is to give American employers "the habit of stabilizing." "Stabilization can be attained more by a state of mind than anything else," he declared. The imperative thing is "to create a state of mind among business men so that it becomes the fashionable thing." Employers must acquire "the will to regularize."

These lofty doctrines are the natural result of the late lamented New Economic Revolution. Like all the other preposterous philosophies of the demised era, they spring from a complete failure to understand the nature of the present mode of production and its process of income distribution. They are based on the false correlation of two dogmas which have become almost axiomatic in the United States. The first is that American industry, unlike its counterparts in other countries, is organized mainly for Service and the Public Good. Thus Mr. Gerald Swope of the General Electric Company recently assured the National Electrical Manufacturers Association that it "exists basically for serving the needs of the people," and Mr. Howard Heinz, famous for his heritage of the 57 Varieties, asked: "Who can fix the limits of the growth of industry when, given great material prosperity, business measures its progress in terms of service, co-operation and the application of the Golden Rule?" The second dogma is that American management is superior to that of all other industrial nations. Only in the United States has it become a science.

There is thus no miracle to which American industrial ingenuity, with the help of a few modern tricks, such as business research and forecasting, cannot aspire. All that is necessary is to teach the business leaders of the nation that the reduction or elimination of unemployment is not only humane and helpful, but also good business and sound "science." Once management becomes conscious of the benefits which can be derived through stabilization of production, first in the form of increased profits and then in that of humanitarian good, its congenital ingenuity will overcome every obstacle.

The beneficent achievements of stabilization programmes are loudly and constantly asserted. Witness the accomplishments of the Hills Brothers Company, packing dates shipped by fast steamers from Mesopotamia, which has already stabilized the date market. Look at the success attained by the Procter & Gamble Soap Company, the B. V. D. Company, the walnut and cranberry industries, a certain eminent floor-wax establishment, and, of course, the Dennison Manufacturing Company, which produces paper gadgets, sealing-wax, and "fine boxes for jewelers." Also, there is the example of the C. F. Mueller Macaroni Company, which, by eliminating the boll weevil inside the noodle, has stabilized the noodle industry. The mere discovery of tea balls exterminated unemployment in the Tao Tea Company. Round the Globe Flight Sales Contests and Annual Baseball Contests stabilized a calendar manufacturing concern in St. Paul. "Say It With Flowers" not only brought prosperity into the flower business, but also happiness to the American Home.

The books on stabilization all devote many pages of enthusiastic description to the methods of the Hills Brothers, Procter & Gamble, and the Dennison Company. The fact that even these concerns guarantee employment to only a portion of their personnel is not mentioned. Instead, the reader is supplied with long lists of other companies which have been allegedly successful in reducing their unemployment. Among them is actually the Ford Motor Company—which only recently laid off 75,000 workers at one time, and is now blamed by the City of Detroit as largely responsible for placing upon it an enormous burden of relief.

As I have said, stabilization is urged on the grounds of humanity and public service and because it is said to be profitable to industry. There is no need to discuss the Service doctrine at length. If anyone has been taken in by it, he has only himself to blame. The prospect of any well-managed corporation introducing a stabilization programme at a financial sacrifice for the benefit of its employés is really fantastic. The rare individual owner who may be so philanthropically inclined will not remain in business very long. Nor is it likely that many corporation heads can induce their stockholders to continue operation at a loss in order to provide steady employment for their workers.

The only forms of stabilization that are at all feasible are those which prove profitable and economic. But wherever this is the case it may be taken for granted that such companies need neither the advice nor the moral applause of the stabilization messiahs. Every genuine inducement to stabilize is already there. No concern refuses on principle to operate its plant every day, and even day and night, if it sees its way to making money. The fact that it does not do so can hardly be credited to malevolence or original sin. The successful existence of every business depends upon the fullest possible utilization of every means to keep going on a profitable basis.

In consequence, it may be taken for granted that the self-interest of business has already inspired as large a measure of stabilization as present knowledge permits. To go further would require omniscience. Few corporations can ever know that the goods produced by them will have a certain market at a reasonable profit. Fewer, if any, can accurately forecast the future demand. For in order to do so, every corporation must estimate the output of all its competitors as well as its own. It must bear in mind every possible shift in fashion, every change in demand, every possible introduction of new wants. It must be able to foretell the future course, not only of its own industry, but also that of all other industries in order to gauge the available purchasing power.

It must study the political trends in the United States and all other nations, and be able to forecast when the next war, plague, earthquake or other act of God will occur. It must have accurate information whether the next Congress, the German Reichstag, or some Chinese general will raise or lower the tariff upon imports and exports. It must be able to prophesy the severity of next Summer's heat and next Winter's frost. It must know definitely when this depression will end and when the next one will begin. It must know the changing situations of its dealers and jobbers, and the tastes of its customers. Finally, it must be able to predict if, when and how its product will be totally eliminated, for there is hardly a commodity for which there is not a possible substitute.

II

The cold facts of experience are that, despite the many years' talk of stabilization and regularization, progress in achieving them has so far been insignificant. The present depression, indeed, makes it doubtful that there has been any progress at all. Even the frequently repeated claim that several hundred employers out of a total of approximately 300,000 manufacturers in the United States have introduced stabilization programmes has little justification in fact. The overwhelming majority of the corporations listed as having stabilized their production are suffering from unemployment during the present depression to no less an extent than other companies in their industries. Serious economic crises such as we are now experiencing sweep everything before them.

An examination of the so-called stabilizing plans in operation in the United States shows that they represent no fundamentally new type of planning at all. Most of the concerns cited merely follow the path which every corporation always follows in order to increase its market and to keep its plant going. To describe companies which advertise their products in order to stimulate a steady demand as humane corporations, seeking only "stabilization" of work for their employés, is to mock ordinary intelligence. To point to other concerns which have taken on a sideline—as, for instance, the manufacture of crêpe paper hats by one producing paper tags, or the combined production of noodles and macaroni—as companies which have done so in order to introduce "regularized" production for their employés, and as examples to be followed by all other companies, may be cheering to the gullible but can hardly be taken seriously by the less naïve.

To expect that the coal industry can follow the example of the B. V. D. Company, which claims to have succeeded in persuading its customers to use its product in Winter as well as in Summer, is pure nonsense. Neither can pig iron nor automobiles be put in cold storage as conveniently as Dromedary Dates. Fur coats will not be worn in Summer nor tennis shoes in Winter. Ice-cream will not be eaten much in December, nor will Christmas shopping be done in July. It is significant that the one large concern,—the International Shoe Company,—which attempted to stabilize its production by overcoming the style factor and manufacturing for stock has been forced recently to abandon its programme.

Most of the new stabilization methods, in truth, are as old as civilization. For centuries the peasant became a lumber-jack in Winter, and the blacksmith manufactured wheels and ploughs in Spring and Summer, and sleighs and pruning hooks in Winter, without ever knowing that they were running on a "planned schedule of production." Ever since industry and commerce began, merchants have sold heavy shoes, felt hats, and fur coats in Winter, and light underwear and straw hats in Summer, and thought nothing of "stabilization." That every manufacturer should attempt to keep his plant going steadily by utilizing every means at his disposal is the very essence of the profit system.

The stabilization programmes generally recommended are quite incapable of reducing or eliminating the total volume of unemployment. The means most widely advocated are the stimulation of demand for the corporation's own goods or the addition of some new product not now manufactured by it. But stabilized production thus achieved by one company through increased sales is generally attained only at the expense of competing concerns. Whenever one company succeeds in selling a larger amount of its products in a certain market, another company engaged in the same business sells less. The success of the B. V. D. Company spells disaster for the heavy underwear concerns, while the increased consumption of macaroni strikes at the potato farmers. The automobile ruined the bicycle industry, and the radio brought devastation to the phonograph and piano manufacturers. Whenever any corporation is successful in its adoption of a filler-in during slack seasons, to that extent it puts out of business the concerns which were specializing in a similar article.

At best, therefore, stabilization by such means can benefit only the one company. It will provide more regular work to a certain number of workers, but others,—and possibly a larger number,—will be deprived even of their part-time employment. In brief, under conditions as they are, practically every enhancement of regular work for the workers of one concern involves the permanent unemployment of workers elsewhere.

Stabilization is especially difficult in the larger establishments. The findings of Prof. Wesley C. Mitchell in his "Business Cycles: The Problem and Its Setting" indicate that unemployment and depression are immeasurably greater in them than in the smaller ones. Whereas for all industries the percentage of decline in employment from the peak of 1920 to the trough of 1921-1922 was 16.5%, it amounted to only 3.1% in the case of establishments employing 20 workers or less, rose to 13.8% in the case of those employing from 21 to 100 workers, and amounted to 28.2% in the case of those with over 100 employés each.

Similar findings were made by the President's Emergency Committee for Unemployment late in 1930. Information obtained from manufacturing corporations in over 500 localities, which in 1929 employed more than 750,000 men, showed that of the companies employing less than 500 men, 39% had no unemployment problem at all. In the case of those employing between 500 and 1000, 75% had an unemployment problem, while 86% of those which employed from 1000 to 5000 had such a problem. Practically all of those employing 5000 or more men were suffering from unemployment.

In view of these disclosures, it is important to note that the majority of workers in the United States are engaged in the larger establishments. The number of manufacturing establishments employing 20 or less in 1919 constituted 81% of the total manufacturing establishments, but they gave employment to only 10% of the total number of workers in all establishments. On the other hand, the concerns employing 100 and more workers represented only 6% of the total concerns, but they employed 71% of the total workers.

Thus, the larger the industry the sharper is the employment fluctuation and the more difficult the attainment of stabilization. A check of the various companies which are reported to have introduced stabilized production reveals that they are all primarily small corporations, manufacturing things which easily lend themselves to regularized production. They produce soaps, dates, macaroni, noodles, package tea, floor-wax, calendars, paper tags, and the like. The total number of workers engaged in these industries does not exceed more than a fraction of one per cent of the wage-earners in the United States. From the point of view of the national economy, the stabilization programmes of such companies are of less value than the paper which has been consumed in describing them.

III

That stabilized production cannot be achieved by the mere process of faith is recognized by all except the romantics. The New York Committee on Stabilization of Industry for the Prevention of Unemployment, in its 1930 report to Governor Roosevelt, says that it "would be guilty of false optimism" were it to "conclude that all industries can be regularized." It points out that only the following industries can manufacture to stock: those producing a stabilized and unperishable article which cannot be affected by changes of fashion; those requiring exceptionally skilled workers who cannot be replaced; those having a quasi-monopoly over their product; and those whose products require little storage space. For industries which do not possess these requirements the committee insists that "the elimination of seasonal fluctuations is at present almost impossible." It goes on:

> This is particularly true in industries where styles change rapidly, as in the manufacture of clothing and shoes, and more particularly in the women's branches of both of these industries. Women's clothing stocks are almost as perishable as radishes or celery. A style which seems good one week may be displaced by another the following week. In an industry such as this, it is suicide for a firm to manufacture goods to stock. . . .

> It is also true that while we can mitigate, we cannot entirely remove the direct influence of the weather in causing unemployment. . . . At best the inclemencies of Winter weather in this State will always cause a considerable amount of unemployment. . . . During periods of cyclical unemployment individual firms are to a large degree helpless to overcome the numerous factors that create depression. . . . The ultimate control of the business cycle is in our opinion still a long way off.

Another intelligent and realistic answer to the Utopian dreams of a stabilized economy in the United States was given recently by Albert H. Wiggin, chairman of the board of governors of the Chase National Bank and a director in nearly fifty other large corporations. While testifying before a Senate committee appointed to search for a Moses to lead us out of the wilderness of depression, he was asked whether he believed it possible to stabilize industrial production. He answered:

> I do not think so. I sit on some industrial boards and related boards, banking boards, and I find that the manufacturer keeps on manufacturing goods as long as his customers demand them and as long as he can sell them at a profit, and when he cannot sell them at a profit, he begins to reduce his production.

To the question whether he thought we have learned anything from the present depression, Mr. Wiggin answered:

> Well, we have learned something. But we all forget very promptly, and the next generation would not know anything about our troubles and would not have that experience. Nothing will prevent the recurrence of business troubles at intervals.

There is no better illustration of the foolishness of the hope of stabilizing production than the Utopian steps recommended for its inauguration. Thus, the magic wand of Professor Herman Feldman in his "Regularization of Employment," the leading tome on the subject, is research, especially "distribution research." Each manufacturer is advised to estimate "scientifically" the future demand for his products, to study the causes of seasonal peaks of demand, and to formulate a long-time export policy on the basis of "new markets at home and abroad having different seasons!" He must also forecast the cyclical changes in business!

In addition to making these elaborate statistical inquiries, manufacturers are urged to diversify their output through a slight modification of the main line of production, or by the addition of side lines or fillers. If this is not sufficient, they are counseled to modify extremes of style changes in order to reduce the style hazard, and to change the customary purchasing habits of the people by "removing obstacles which prevent the conscientious (*sic*) consumer from buying during times of normal slack."

To accompany his "distribution technique," Professor Feldman insists there must also be planned production within the plant. To accomplish this every corporation is urged to perform the following tricks: the weather factor must be overcome by "scientific research," which "may discover a way by which the unfavorable conditions may be economically circumvented. *Progress in all directions depends on achieving the impossible.*" (Italics mine.) The dull periods must be utilized by "postponing miscellaneous activities," such as "painting and cleaning the plant and general overhauling and repair of equipment for those periods." In other words, broken down machines or leaky shop roofs must not be repaired while production is heavy. Slack periods can also be avoided, according to Dr. Feldman, by postponing vacations from busy seasons. If all these devices do not do the trick, managers are advised to simply manufacture for stock during dull periods.

Proper foresight must also be exercised in the introduction of new machinery in order to minimize displacements of labor. The plant employment department should facilitate systematic training and the transfer of workers within the plant from one department to another. In peak seasons former women employés should be used, and students in Summer. Finally, open-shop employers who have refused to have anything to do with labor unions are advised to coöperate with them through joint conferences, etc. To make its influence more effective, labor itself, which in America has always distrusted the "intellectual," is urged to carry on research.

It is an illustration of our muddled economic thinking that such fantastic stuff should be given serious consideration. Were any corporation to embark on a programme embodying any considerable number of these suggestions, its management would be driven to insanity and its stockholders into bankruptcy. Only those utterly ignorant of the commonest facts of economic life and of the nature of modern production can expect any appreciable stabilization by such methods under present conditions. Compared with these Utopians, anarchists are hardheaded realists.

IV

I am aware, of course, that the advocates of industrial stabilization also wish to be the founding fathers of a Planned Economy, either through voluntary trade associations, such as are advocated by Mr. Swope, or through a governmental economic council modeled after the Russian Gos Plan, or the War Industries Board. Some would content themselves merely with a council which would collect bigger and better statistics. Hoping to get rid of the Sherman Anti-Trust Act, even the most stalwart industrialists pretend to have faith in an Economic Planning Council. The confidence that such a council would be made up of business men gives them assurance of its superiority.

But such a planned economy is inconceivable in the United States in any near future. The essence of the American system of production, as of every capitalist economy, is free competition. Competition and economic planning are diametrically opposed forces, with nothing in common between them. Realists know that no corporation will voluntary surrender any of the advantages it has over its competitors. A planned system of economy can be erected only over the dead body of the competitive system.

So long as the profit motive in industry remains, there can be no stifling of competition and *ipso facto* no control over the recurrent cycles of peak production and depth of depression. If ever industrial production becomes stabilized, industry will no longer be competitive and individualistic. Not even the General Electric Company is as yet in the mood to sacrifice its profits. So far, Mr. Swope's latest contribution to stabilization, outside of speech-making, has been to dock the wages of the General Electric's employés for a guarantee of six months' work at $15 a week.

Asked by the Senate Committee for his opinion of the value of an Economic Planning Council, Mr. Wiggin said: "I don't think an Economic Council would do any harm, any more than the Advisory Council of the Federal Reserve Board does any harm, but I cannot see that it does any good, and it is an expense." That, to say the least, is candid and realistic thinking. It has been sadly needed these many years.

END OF FARCE

BY JAMES RORTY

The play ends. Children, go home.
Go home, children, the bright tree is dark, there are no good fairies.
On tip-toe, children, steal home, hush, be grave.
Hide, children, in the damp cellars, the Pharaoh has marked the door-posts.
Rain, rain, on the far horizon, light, fierce light, and the deep wind roaring.
Go home, children. Children, go home.

Change like a vomit, change like a vast labor spewing forth
The small souls, the shrill greeds, the thin small rages of children.
This wide land aches with the little idiot laughters of children.
Silence, you brats, you misbegotten. Be still, time will not wait, the deep wind rises.
Go home, children, hide, weep, you must die, you must be born again.
Go home, children. Children, go home.

What shall we do, Great Mother, since man must live?
What shall we do between ice and ice?
What shall we do, so loud the locust whines?
How shall they march, the spoiled, the craven, the blind?
They shall march.
How shall they hear us who have not heard
The Bacchæ singing at the gates?
They shall hear.
How shall they see us who have not seen
The fierce Valkyrie riding on the wind?
They shall see, they shall hear, they shall march, and you shall weep.
The play ends. The play begins. Not yours, not yours.
Go home, children. Children, go home.