

► *Free enterprisers err in promising the impossible.*

## THE FICTION OF FULL EMPLOYMENT

BY LAWRENCE FERTIG

MEN who seek to mold public opinion too often assume that the public must be handled adroitly and fed only carefully selected portions of the truth. But the procedure nearly always backfires. The basic idea is invariably discredited because of an over-clever presentation which raises false hopes and thus lays the groundwork for disillusionment. The economic problems that face us after the war are too crucial to be treated with anything but complete candor. It is essential, for instance, that some plain words be spoken on the matter of "full employment" under our system of private capitalism. The matter has received a lot of attention recently, but alas, in a spirit not altogether frank.

Leftists of all brands and New Dealers who mistrust the profit motive have proclaimed that business has a social responsibility: it

must in the future provide a job for every man capable of working, or private enterprise will stand condemned and outlawed. The institutions of capitalism, they assert, would in that case have to be wholly or largely discarded and some other system called upon to provide *continual* employment for *all* the population who are able to work. The threat to the capitalist system is implied where it is not explicit: "Full employment — or else!"

Liberal leaders and spokesmen of American industry have been forced to meet this challenge. Economists, public officials and businessmen have entered the lists. Perhaps Eric A. Johnston, President of the U. S. Chamber of Commerce, who has so vigorously and intelligently presented the case for capitalist society, reflects their views most accurately. Industry

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can give full employment provided it is unhampered by restrictions that throttle its efficiency, they say in effect. But in making this promise they seem unaware that they are accepting the leftist premise that a job for *all* the people *all* the time is the *sine qua non* for the existence of private capitalism. They accommodately fall into the trap laid by those who wish to destroy the present system by agreeing that, regardless of all other advantages it may possess, an economic system that does not meet this one requirement must be supplanted.

I wish to submit in this article that full employment of the extreme leftist definition is impossible under a system of free enterprise; that this promise loosely made will in the long run lead to deep resentments and help undermine the capitalist system; and that our system of free economy is the most desirable ever tried notwithstanding its failure to pass the "full employment" test.

## II

The phrase "full employment" is directly related to the slogan, "the right to work," which received so much prominence in our country during the sit-down strikes of 1937. Those who wish to chip away the

foundations of private capitalism have long realized the link between these ideas. Long before Marx wrote *Das Kapital*, Proudhon, the leading socialist of his time, wrote: "Give me the right to work and I will give you the right of property." It was obvious to him, as it has been to collectivists for a century, that once the right to work and full employment is written into the law of a land, a decisive flank attack will have been carried out against the institutions of private property. And private property is the heart of capitalism. Once industry's "social obligation" of full employment is translated into the individual's "right" to a job, the state must enforce this right. It must move in on private business and control its activities.

But the American public need not be promised the impossible in order to sustain its confidence in a continuation of free enterprise. On the contrary, it should be given a frank, simple explanation of the working of capitalism with no attempt to varnish over the defects. These defects, it happens, derive from its very qualities. Once the people are educated to the basic values of private capitalism, they will not so readily be swayed by demagogic emphasis on its shortcomings. Then they will compre-

hend that, despite difficulties, the American people can preserve their precious individual liberties only through private capitalism.

It has been said time and again that eternal vigilance is the price of freedom. Vigilance against what? Against the dominant, centralized and ever-growing power of the state! Those who run the state now have one form of control over us — *political power*. But there is another fundamental kind of power which, in a free system, is split up a hundred ways — *economic power*. Labor unions, capital, management and the broad mass of consumers through their very preferences now exert this economic pressure upon all of us. But if ever the political and economic power are merged into one, which is the essence of the collectivist state, then we are indeed done for. Our liberties would be gone, for no man can ever talk up against inefficiency, injustice and tyranny when his entire life is at stake. Only a free enterprise system effectively separates these two forms of power.

Private capitalism has demonstrated indisputably its ability to provide the masses with a remarkably high and continually rising standard of living. The evidence on this point has been so often quoted that it hardly needs repetition.

"A dollar a day" for unskilled labor, standard pay at the turn of the century, has become \$4.00 a day and more for labor in normal times. In 1900 the General Electric Company, a typical American corporation, had a ten-hour work day, a six-day week, with 18¢ an hour as standard pay. In 1938, 67¢ an hour was standard for an eight-hour day, five-day week with time and a half for overtime. Between 1900 and 1938, the pay of machinists increased from 27¢ to \$1.41 per hour; painters from 32¢ to \$1.36; plasterers from 44¢ to \$1.69; carpenters from 34¢ to \$1.40; bricklayers from 49¢ to \$1.65; compositors (printing) from 47¢ to \$1.20. And it is important to remember that *real* wages, that is, actual goods bought with the dollars received, have in every case advanced too. On the basis of what capitalism has given to the people of this country, it has abundantly proved its remarkable power.

But no system is perfect, except theoretical utopias — until they're tried. It must be plainly stated that if the liberty and opportunity offered by capitalism are desirable, then somewhere along the line risks have to be taken in order to retain them. One of these risks is that of occasional unemployment for some of our population. We can seek to

alleviate this unemployment when it comes; we can prepare measures against the time of its coming; but to some extent unemployment will occur and we must face it.

We must face the fact that capitalist production is subject to temporary expansion and contraction, and that *all* labor available cannot be employed *all* the time or there would be few solvent institutions left in this country. Capitalism is a system in equilibrium — a thousand or ten thousand forces working in many directions, all resolved in the market-place by price. It is not only a profit system; it is a profit-and-loss system. The experience of those who miscalculate the market and lose are of great benefit to other entrepreneurs in guiding them to more correct estimation of the needs and preferences of the public.

Under a scheme resting upon the enterprise of individuals, rather than the directive of an all-wise board of overhead planners — or improvisers, as John Chamberlain has called them — there must of necessity be room for expansion and contraction. To assume full employment by industry is to assume the impossible — perfect judgment on the part of producers, no mistakes by entrepreneurs, a balanced relationship between supply

and demand at every moment and in every commodity, no change-overs for product improvements causing temporary unemployment, a theoretical right level for the wages of labor, prices gauged to hairbreadth accuracy in order to sell all the output all the time. These are only a few of the teeming factors which must add up 100 per cent in order to produce continual 100 per cent employment.

Defenders of private economy must face the fact that temporary unemployment to a considerable extent is the consequence of factors which, in themselves, are acknowledged to be virtues of capitalism. I refer to realities like the great strides in technological improvement, or the ceaseless competition of industry with industry. Improvements in machinery and technique account in large measure for our ability to produce more and more goods at continually lower prices. No sane person advocates going back to the plough and the spinning wheel, or freezing technology as of this day to prevent still greater improvement in our productive process. Yet this is clearly an important cause of labor turnover and periodic unemployment. Vigorous competition between industry and industry is a basic cause of the increase in our

wealth, and of the ultimate increase in job opportunities. Aluminum seeks to supplant steel, plastics are improved to compete with wood and with metal, oil is refined to give greater value than coal, synthetic yarns fight for the patronage held by wool and cotton, etc. This competition opens up new markets, lowers prices, creates wealth and gives increased employment in the long run. Yet temporarily it forces some men out of jobs.

These two factors alone are enough to cancel out industry's promise of full employment, providing industry wishes to remain solvent and function efficiently.

Anything is purchasable at a price. Industry can be forced to give full employment but the price would necessarily be control of industry by government. The average business organization could not support its unproductive workers for more than a year without seriously impairing its capital and crippling its ability to produce and give jobs in the future.<sup>1</sup> And what

would happen to the unwanted merchandise which was manufactured by this laborer? Who would buy it and at what terms?

When a business or an industry is obliged to curtail production, it is a sign that something has gone wrong. Prices may have been forced too high — the price of materials and the price of labor, too. Could manufacturing go right on producing in the name of full employment, thus freezing at an inflated level all the prices that have risen during the period of over-optimism and over-speculation? To do so would be to disregard an important symptom and increase the gravity of the illness. It would be an invitation to far more serious trouble, and perhaps collapse.

If it is impossible for industry to solve all the problems and bear all the costs incident to full employment, government will have to step in, force industry to continue production, pay the bills and thus take over control.

### III

If full employment is not possible under capitalism, what are we to do? Our system does not operate in a vacuum. It is concerned with living people and there are humanitarian considerations involved.

<sup>1</sup>The United States Steel Corporation, one of the financially strongest organizations in this country, has a free working capital of about 523 million dollars, and an annual payroll of 738 million dollars. Payment to 15 per cent of its workers who are unproductive for one year would eat up over 20 per cent of its capital. The average small manufacturing business would fare disastrously, because of limited finances. Its working capital would disappear at the rate of over 30 per cent per year on the same basis. Even if only part payment were allowed to unproductive workers, it is obvious that the capital of American companies would disappear rapidly.

To deal adequately with this question would require a long treatise covering monetary policy, tax legislation, business and labor practices and a host of other subjects. We will never achieve maximum employment as long as we restrict, cripple and sabotage the economic machinery which creates the power to give jobs to our people.

For unemployment is the end-product of a long series of decisions taken by government, business and labor. But the broad outlines of our solution are not very obscure.

First of all, we must realize that the key to maximum employment under private capitalism is greater production and continued expansion of industry. Competition in all phases of business activity—that is the basis of a healthy, vital economy and a high level of employment. Any plan by government or practice by industry which interferes with the free flow of goods, capital and labor, must be removed.

High tariff barriers that protect some industries at the expense of the general public should be brought down. Price pegging legislation which protects specified commodities and those that profit from their manufacture or sale, at the expense of the general public, must

be repealed. Business monopolies that control the output of essential goods and operate to keep prices high, will have to be vigorously prosecuted. "Make work" practices by labor must be just as strongly counteracted as monopoly practices by business. They are both of the same stripe—restrictive, uneconomical and wasteful. Labor should realize that unless there are adjustments in inflexible wage rates, which tend to curtail production, employment itself will suffer in the long run. If traffic of our economy is to flow freely, it must not be impeded by tax policies that restrict instead of encourage business. It makes no sense to throw sand in the machinery and then demand that the mechanism function smoothly and carry an increasing load. If we depend on venture capital for expansion and more jobs, then taxes should be planned to encourage capital to take ventures.

Our country has rightly accepted an obligation to the unemployed. Already we have legislation that will continually cushion depressions. Unemployment insurance will give some measure of support to those temporarily without earning power and help them tide over to a more normal period. The principle of adequate relief for

the needy has been so definitely established that it is safe to say that no one will ever starve in this country because one cannot get work. Further enhancement of these safeguards against suffering are wholly compatible with the private enterprise system.

So is a well-planned program of public works. Self-liquidating projects of the type of the Triboro Bridge in New York are economically sound and wealth-producing. The main trouble with public works is that they tend to become political in nature and are frequently adopted even though they are economically wasteful. True, every dollar taxed away from the individual and spent for projects not subject to the laws of the market is wasteful to a degree. Certainly such dollars cannot operate as efficiently as those spent in answer to the demands of a free market. But to maintain, as Isabel Paterson does in her book *The God of the Machine*, that "government is solely an instrument or mechanism of appropriation, prohibition, compulsion and extinction," and that the state never created anything, is sheer nonsense. Government reforestation projects create wealth, great bridge and causeway developments (self-liquidating over a long period of time) create wealth, and

they may as well be built in slack times as in boom times, taking advantage of lower prices and giving needed employment.

But any attempt to create a gigantic, perpetual public works program in order to guarantee full employment would be disastrous to our economy. It would tend to freeze at a high level all the inflated prices and the inefficient practices which at times demand correction. The government in that case would constantly step into the market to buy materials and to employ labor at the prevailing prices, thus preventing the system from *making adjustments essential to its health*.

The problem of unemployment is the problem of maintaining the health and soundness of our entire economy. It may be tackled from the point of view of prevention, as well as of cure. Its effects can and should be made as painless as possible. The transition to maximum employment should be speeded up by every conceivable device. But we must not delude ourselves, or delude the American people, into believing that "full employment" in the literal sense of the word is possible under private capitalism. To advocate or to promise full employment is to give currency to a political slogan and to perpetuate a dangerous myth.

► *We are many steps nearer  
to eradicating diseases.*

## PROGRESS OF PREVENTIVE MEDICINE

BY ROBERT H. FELDT, M.D.

THE prevention of all disease, the goal of medical science, is closer to attainment than ever before. Military and civilian doctors have achieved one triumph after another, and still further progress may confidently be looked forward to. Here I list only a few of the miracles of modern preventive medicine, all recent and all achieved with the aid of sulfa drugs.

### *Rheumatic Heart Disease*

Over a million Americans suffer from this ailment. In some of our large cities the death rate from rheumatic fever and the heart trouble it causes is four times as large as the death rate from measles, diphtheria, scarlet fever, whooping cough, meningitis and infantile paralysis *combined*. Rheumatic fever is a chronic relapsing disease and its victims are in constant danger of recurrence.

In most cases, rheumatic fever first strikes in childhood. Painful, swollen joints, high fever and prostration are frequently the first signs, but the onset may be less

alarming with joint aches, slight fever, lassitude and loss of weight. At times, the purposeless movements of chorea — St. Vitus dance — are the first rheumatic manifestation. Rheumatic cardiac crippling is often slight with the first attack, but each recurrence increases the damage. Chronic invalidism and heart failure may follow.

The hemolytic streptococcus has been incriminated as the cause of rheumatic fever, because most attacks follow an infection with this blood-dissolving germ. If a child who has recovered from rheumatic fever develops a streptococcus sore throat, the chances are even that a recurrence will follow.

Led by Dr. Caroline B. Thomas at Johns Hopkins University, a group of experienced researchers began to experiment in 1936. They knew that sulfanilamide would cure such other strep infections as blood poisoning and childbed fever. They hoped that the drug had a preventive as well as curative action.

Dr. Thomas chose thirty-sever