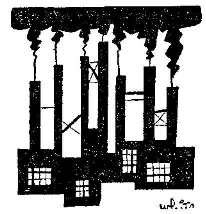
Provinces of Management



"No Sale, No Job," by Alexander R. Heron (Harper. 207 pp. $3), is a call by a leading industrialist for management to assume responsibility for providing full-time work for its employes. Eugene Staley, our reviewer, is senior economist at the Stanford Research Institute, the editor of "Creating an Industrial Civilization," and other volumes.

By Eugene Staley

WHEN THE National Planning Association began its series of case studies on "The Causes of Industrial Peace" the first instance it analyzed was that of the long-standing good relations between Crown Zellerbach and the unions in that firm's West Coast pulp and paper mills. Alexander R. Heron has served for many years as director of industrial and public relations and then as vice-president of Crown Zellerbach. Since his own outlook is one of the causes of a notable example of industrial peace, any book that reveals some of that outlook has special interest. His new volume, "No Sale, No Job: The Economics of American Prosperity," does just that.

Mr. Heron asks management to see and accept the responsibility for selling the full-time work of its employes. That is, management must not only face the obligation to provide an adequate supply of goods but also to provide an adequate supply of jobs. The means it can use include accumulation and risking of capital, exploration, research, organization, and invention, but all of these can be effective only when they result in sales to the ultimate consumer.

"As late as 1940," the author testifies, "sound and solid businessmen developed high blood pressure when told that every man had a right to a job. They were close to apoplexy when told that 'business' had an obligation to provide jobs." In 1954 Mr. Heron's thesis is not too far out of line with current thinking in the more progressive circles of American business management. This is further evidence of the remarkable growth in the sense of social responsibility among businessmen so well described, along with other aspects of the twentieth-century industrial revolution, by Frederick Lewis Allen in "The Big Change." Growth of social responsibility was a response, in no small measure, to pressures from trade unions and from "Square Deal," "Fair Deal," and "New Deal" Governments, as well as to changes in underlying conditions. This does not detract from the virtue of businessmen, however, for having made an intelligent and constructive response. Books like Mr. Heron's help to keep business thinking flexible and progressive, and that is the best defense against movements that would throw out the whole private-business system.

The central function of management, according to Mr. Heron, is to link the efforts of workers to the wants of consumers. Jno. Wolfe, a craftsman who made shoes for George Washington on a custom-order basis, sold his own labor; but he typifies a form of economic organization now almost extinct in this country. Today's wage and salary earners have lost contact with their customers. They depend on management to sell the shoes and other goods they make. "Selling" Mr. Heron defines in such a broad way as to include every plan and action which helps to connect the worker to the customer, "every step from the mining of ore to the ring of the cash register . . ."

Workers should be brought to realize that management's task in selling a product is really the task of selling their time and maintaining their jobs. "Such an understanding can be more potent than all the production and quality incentives ever designed."

—*Burck, Chicago* Sun-Times

"We'll have to improve our quality, if we want to stay in business."

Let management open the books, show how corporate income depends on sales and sales on the quality and price of the product, how the sales dollar is divided between profits and wages, and how future jobs depend on plowing back profits.

TWENTY years ago A. A. Berle, Jr., and Gardiner C. Means in "The Modern Corporation and Private Property" brought to public attention one of the most significant organizational trends in modern business: the separation of management from ownership. The evolution of management independence has now led logically to the concept of "trusteeship" advanced in Mr. Heron's book. Management, he suggests, should cease to think of itself or to present itself as the representative of one "side" (in bargaining with labor, for example). Management should assume its full dignity as "the trustee for the operation of the whole economy"—a trusteeship not merely or mainly on behalf of stockholders but also on behalf of workers and consumers.

This raises the old question: *Quis custodiet custodes?* (Who is to take care of the caretaker?) Mr. Heron does not grapple with this question. If he did he would surely point to the passages in which he explains how the consumer, by his "votes" when he buys or fails to buy, is the ultimate sovereign in a free economy. He speaks of this as "democracy," but democracy generally means one-man-one-vote, whereas the market economy is based on one-dollar-one-vote. The Greek for rule by wealth is "plutocracy," which has an evil sound. The one-dollar-one-vote system is democratic, though, where dollars are fairly evenly distributed, and that has been increasingly true of our economy in recent times—thanks again in no small measure to the intervention of the political one-man-one-vote system through such measures as the graduated income tax, social security, and free education. Mr. Heron and other business writers would be on sounder ground if they were to recognize frankly that the democratic state has a very important role to play these days in creating conditions under which a private enterprise economy can function effectively for the public good. The managers may even require prodding from time to time to keep them socially responsible.

No Sale, No Good

***"The Standards We Raise," by Paul Mazur** (Harper. 173 pp. $2.50), calls for new levels of consumption in order to continue our prosperity. Samuel T. Williamson, who reviews it here, is a former editor of* Newsweek.

By Samuel T. Williamson

ALTOGETHER too much has been said to suit Paul Mazur in praise and adoration of the "miracle of American mass production." To him our peculiar production technique is only half the miracle—and maybe not even that—of the American economy.

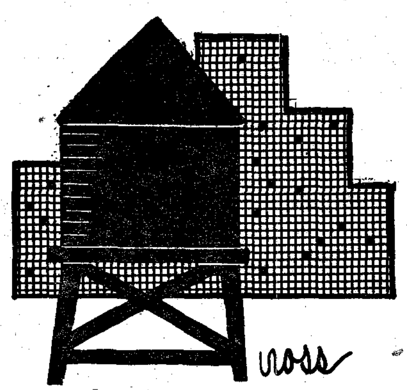
In "The Standards We Raise" he challenges two current, widely held notions: First, that lack of adequate purchasing power is a cause of economic ills. Second, that production is the sole pillar of our economic strength. The contention of his book is that "not purchasing power but purchases, not production but consumption, are the ruling factors of our economy." Only as a consuming nation, he says, can we remain a producing one. "We are a nation which *consumes* its way to property, security, prosperity, and freedom." Admitting but not minding that this is like keeping the cake one eats, Mr. Mazur calls for a "basic change of emphasis in our economic philosophy." He believes too many economist and industrialist brethren put the production cart ahead of the consuming horse. Rather than production, his emphasis is upon constantly expanding *mass* consumption as the basis for continued American prosperity.

His distinction is as timely as it is provocative. After the most overall prosperous year in our history some of us aren't quite sure whether we've reached a plateau or are shivering Shipwreck Kellys at the top of a flagpole. But there's no question that we now have a buyers' market in which the slogan is "Go Out and Sell." The Mazur credentials for discussion of selling are formidable: partner in the banking house of Lehman Brothers and fiscal counselor to such mercantile organizations as Allied Stores Corporation and Federated Department Stores.

If our fantastic manufacturing mechanism can turn out more products than are being consumed, he says, then consumption by all must be quickened, or we're in trouble. And growth of that consumption is merely another way of saying "dynamic standard of living." Since what he is discussing is never still and should be expanding, I believe Mr. Mazur would be more accurate should he use "scale," which denotes flexibility, rather than "standard," which has a more fixed meaning. But this is his book; its title wouldn't be half so appealing were it "The Scales We Raise," so let him have "standard."

Mr. Mazur examines a flock of factors which helped to raise the American standard of living to its present pinnacle. One is the five-day week, which gives more time for enjoyment of new products, and the migration from city to suburbs which it encourages also results in new living habits. But the most "vivid symbol of our economy" is the modern American kitchen. Under the impact of "less work for mother" the kitchen has been transformed.

Desire for such things is whetted by ambition to "keep up with the Joneses"—"a mawkish expression," says Mr. Mazur, for "the right to seek equality of consumption and standard of living." Although he avoids opinion whether Americans are spending beyond their means, he mentions the "apparent paradox" wherein savings "have actually grown rather than decreased with consumption." A Mazur eulogy of instalment selling is likely to raise the hackles of "Puritan" economists. He prefers to call it "fractional selling" and "one of the great inventions of the American economy." Take it away and "huge groups will be economically disenfranchised."



Mr. Mazur suggests that an agency in the Federal Government might supply a statistical index of consumption. This is a debatable point. More opinion and by-guess-and-by-God would have to go into such an index, contrasted with production figures. And, since the art of government is also the play of politics, how dependable would those figures be? This might be argued until the cows come home. The importance of this book, in addition to its content, is that it has already received business-leader imprimatur, and that the points it makes are bound to affect current thought in the market place.

A Colony's Challenge

***"We Too Can Prosper," by Graham Hutton** (Macmillan. 248 pp. $2.75), is an English economist's diagnosis of the reasons the United States has passed his country economically, with suggestions as to how Britain may mend her ways. Robert A. Brady, professor of economics at the University of California, who reviews it below, is the author of "Business As a System of Power."*

By Robert A. Brady

IN 1948, under the leadership of Sir Stafford Cripps, Britain "took up, as the foremost challenge, and as her problem of No. 1 priority, the task of raising industrial productivity." Because American industry had been moving ahead with giant strides while that of all Western Europe had lagged behind and then been crippled by the war, a first step was to set up the Anglo-American Council on Productivity (AACP). Sixty teams, made up of employers, trade unionists, engineers, and other experts, and representing a wide cross-section of Britain's vital industries, were sent to the United States to observe, visit plants, consult with experts, compare methods, arrive at conclusions, and make suggestions so that Britain "too can prosper."

The reports are virtually unanimous on both the objective facts and the reasons behind them. The facts are astounding. While fifty years ago an industrial worker in the United States turned out about as much as a worker in Britain or Western Europe, "today he turns out from two to five times as much; and eight hours' work buys for an American from one and a half to four times the quantity of goods that eight hours' work buys for a British or West European worker," because American productivity is so high. The American national standard of living, accordingly, is from two to four times as high as that of any other industrial country in the world.

The reasons given for this high productivity are, in some respects at least, even more astounding. At this point Graham Hutton, who worked closely with the AACP teams, pays Americans one of the most unusual compliments they have ever received from a foreign observer. In a concluding chapter in his book, "We Too Can Prosper," he sets aside the usual explanations of high American productivity as themselves mere results of deeper and more fundamental na-