

The Role of Production Management Policies in America's Economic Future

By

G. H. McCLAIN
PAUL HOFFMAN
JOHN FENNELLY
LOUIS RUTHENBURG

Proceedings of a Conference
Sponsored by
THE ECONOMIC AND BUSINESS FOUNDATION
New Wilmington, Pennsylvania
February 17, 1944

THE ECONOMIC AND BUSINESS FOUNDATION

(Incorporated)

The Economic and Business Foundation was incorporated in 194 as an independent non-profit organization for the discovery and dissemination of economic and business knowledge. The current activities of the Foundation are as follows:

1. Sponsoring educational forums on economic and business objectives and policies.
 2. Publishing and distributing forum proceedings and pamphlet digests in the fields of economic and business objectives and policies.
 3. Sponsoring graduate study in economics and business administration through the medium of loans to superior and deserving college graduates.
 4. Conducting evening classes for adults in the fields of applied economics and business administration.
 5. Sponsoring and conducting research studies in economic and business organization and policies.
-

OFFICERS

CAPTAIN WILLIAM MCKEE
President

LOUIS J. WIESEN
Vice President

JOHN H. EVANS
Treasurer

E. PERRY BEATTY
Secretary

WILLIAM D. SKINNER
Comptroller

HERBERT C. GRAEBNER
Director of Education

FRANK M. BRETTHOLLE
Assistant Secretary

TRUSTEES

HARRY B. McDOWELL
Chairman

CARL W. ULLMAN
Vice Chairman

GEORGE C. BRAINARD

JOHN H. EVANS

ALEX CRAWFORD HOYT

CHARLES H. JOHNSON, JR.

W. KEITH MCAFEE

CAPTAIN WILLIAM MCKEE

FRANK PURNELL

JOHN R. ROWLAND

DONALD V. SAWHILL

LOUIS J. WIESEN

PROGRAM OF CONFERENCES AND FORUM MEETINGS
on
AMERICAN BUSINESS POLICIES

TOPICS	SPEAKERS	DATES
MARKETING MANAGEMENT POLICIES		Jan. 31

Afternoon Conferences

The Economic Aspects of
Marketing Management
Policies

Mr. William Armstrong, *Chairman*
Dr. Leverett S. Lyon, *Discussion Leader*
Mr. A. W. McDowell, Mr. Clarence Strouss

Postwar Industrial
Marketing Management
Policies

Mr. William J. Sampson, *Chairman*
Dr. Donald R. G. Cowan, *Discussion Leader*
Mr. John Grajciar, Mr. D. V. Sawhill,
Mr. Frank Warren

Postwar Retail
Marketing Management
Policies

Mr. William Langan, *Chairman*
Dr. David R. Craig, *Discussion Leader*
Mr. C. J. Nichols, Mr. Arthur Waldo

Evening Panel Forum

The Role of Marketing
Management Policies in
America's Economic Future

Mr. L. J. Wiesen, *Chairman*
Dr. Leverett S. Lyon, *Discussion Leader*
Dr. Donald R. G. Cowan, Dr. David R. Craig

PRODUCTION MANAGEMENT POLICIES

Feb. 17

Afternoon Conferences

Production Management and
Postwar Business Planning

Mr. J. A. Connelly, *Chairman*
Mr. Paul Hoffman, *Discussion Leader*
Mr. George Brainard, Mr. Henry Roemer

Termination of War Contracts,
Disposal of Government
Plants, and The Elimination
of War-Time Controls
of Production

Mr. D. V. Sawhill, *Chairman*
Dr. John Fennelly, *Discussion Leader*
Mr. J. C. Argetsinger, Mr. Henry Putman

Reducing Production Costs
in the Postwar Period

Mr. L. B. Round, *Chairman*
Mr. Louis Ruthenburg, *Discussion Leader*
Mr. Wm. M. Ewing, Mr. W. Keith McAfee,
Mr. James Quinn

Evening Panel Forum

The Role of Production
Management Policies in
America's Economic Future

Mr. G. H. McClain, *Chairman*
Mr. Paul Hoffman, *Discussion Leader*
Dr. John Fennelly, Mr. Louis Ruthenburg

PERSONNEL MANAGEMENT POLICIES

Mar. 16

Afternoon Conferences

Employee Representation on
Management Committees

Mr. Roger Jewett, *Chairman*
Dr. Robert D. Calkins, *Discussion Leader*
Mr. William Dean, Mr. C. D. Moore

Collective Bargaining
and Wage Policies

Mr. Fred Quigley, *Chairman*
Dr. Frank V. Morley, *Discussion Leader*
Mr. Garrett Connors, Mr. Harry Wines

The Impact of Governmental
Policies and Decisions on
Personnel Management
Policies

Mr. Preston Flaherty, *Chairman*
Dr. E. H. van Delden, *Discussion Leader*
Mr. Henry H. Hoppe, Mr. G. B. Zahnizer

PROGRAM OF CONFERENCES AND FORUM MEETINGS
on
AMERICAN BUSINESS POLICIES

TOPICS	SPEAKERS	DATES
<p style="text-align: center;">Evening Panel Forum</p> <p>The Role of Personnel Management Policies in America's Economic Future</p>	<p>Mr. Marshall G. Matheny, <i>Chairman</i> Dr. Robert D. Calkins, <i>Discussion Leader</i> Dr. Frank V. Morley, Dr. E. H. van Delden</p>	<p>Mar. 16</p>
FINANCIAL MANAGEMENT POLICIES		
Apr. 13		
Afternoon Conferences		
<p>Postwar Credit Policies and Loan Management</p>	<p>Mr. John Rowland, <i>Chairman</i> Dr. O. M. W. Sprague, <i>Discussion Leader</i> Mr. Crawford Hoyt, Mr. V. J. Wilson</p>	
<p>Postwar Investment Programs and Policies</p>	<p>Mr. Russell Hooper, <i>Chairman</i> Dr. Garfield Cox, <i>Discussion Leader</i> Mr. Louis Bahr, Mr. John H. Evans, Mr. Robert C. Love</p>	
<p>Postwar Financial Policies of Business Enterprise</p>	<p>Mr. George Treat, <i>Chairman</i> Dr. Beardsley Ruml, <i>Discussion Leader</i> Mr. Reuben Hays, Mr. William Skinner</p>	
Evening Panel Forum		
<p>The Role of Financial Management Policies in America's Economic Future</p>	<p>Mr. Clifford W. Harpst, <i>Chairman</i> Dr. O. M. W. Sprague, <i>Discussion Leader</i> Dr. Garfield V. Cox, Dr. Beardsley Ruml</p>	
A SUMMARY VIEW OF AMERICAN BUSINESS POLICIES		
May 11		
Afternoon Conferences		
<p>Economic Aspects of American Business Policies</p>	<p>Mr. E. Perry Beatty, <i>Chairman</i> Dr. Sumner H. Slichter, <i>Discussion Leader</i> Mr. Lamar Jackson, Mr. Carl Ullman</p>	
<p>Responsibilities of Private Enterprise after the War</p>	<p>Mr. Russell McKay, <i>Chairman</i> Dr. Arthur Upgren, <i>Discussion Leader</i> Mr. Joseph Carter, Mr. Theodore Smith</p>	
<p>What Should Be the Relative Spheres of Government and Business in Postwar America?</p>	<p>Mr. M. H. Ronsone, <i>Chairman</i> Dr. A. B. Wolfe, <i>Discussion Leader</i> Mr. William F. Maag, Mr. R. J. Wean</p>	
Evening Panel Forum		
<p>The Role of Business Policies in America's Economic Future</p>	<p>Mr. James E. Bennett, <i>Chairman</i> Dr. Sumner H. Slichter, <i>Discussion Leader</i> Dr. Arthur Upgren, Dr. A. B. Wolfe</p>	

The above conferences and the panel forums were held in the Hotel Pick-Ohio, Youngstown.

Single copies of the proceedings of any of the above conferences or forum meetings may be obtained @ 35¢ per copy; quantities of 10 to 99 @ 20¢ per copy; and quantities of 100 and over may be obtained @ 15¢ per copy.

At the conclusion of the series, the proceedings of all the meetings will be published in book form, at \$5.00 per volume.

FORUM SPEAKERS

PAUL HOFFMAN

Mr. Paul Hoffman is President of The Studebaker Corporation, Chairman of the Committee for Economic Development, Vice President of the Business Advisory Council of the United States Department of Commerce, and a class "C" Director of the Federal Reserve Bank of Chicago. In addition Mr. Hoffman is a Director of United Air Lines; a director and Vice-President of the Automotive Council for War Production; a Director and Vice President of the Automobile Manufacturers Association; a Trustee of The University of Chicago; a Trustee of Kenyon College; a member of the Visiting Committee, Department of Government, Harvard University; National Chairman of United China Relief; and Chairman for the Automotive Safety Foundation. He was a Representative of The Studebaker Corporation, 1910-15; Sales Manager of the Studebaker Retail Branch in Los Angeles, 1915-16; Branch Manager, 1917; Owner of the Los Angeles Branch, 1918-25. Vice President in Charge of Sales for The Studebaker Corporation, 1925-35; and President since 1935. Mr. Hoffman has collaborated in the writing of two books, "Seven Roads to Safety" and "Merchandising of Used Cars," as well as numerous magazine articles.

JOHN FENNELLY, Ph. D.

Dr. John F. Fennelly is Executive Director of the Committee for Economic Development. Dr. Fennelly was a reporter on the Kansas City Star, 1920-1923; was with the Hall, Baker Grain Company, 1923-26; Associate Editor of Commerce and Finance in New York during 1926; Professor of Economics at Columbia University 1927-29; Investment Banker, 1929-1935—Partner of Field, Gloré & Co., (now Gloré, Forgan & Co.), 1935-1942; Vice Chairman of the Requirements Committee and Director of the Program Bureau of the War Production Board from January 1942 through May 1943. He has been Executive Director of the Committee for Economic Development since May, 1943. Dr. Fennelly is the joint author with W. L. Crum and Laurence Seltzer, of the book entitled "Fiscal Planning for Total War," published by the National Bureau of Economic Research in September, 1942.

LOUIS RUTHENBURG

Mr. Ruthenburg is President and General Manager of Servel, Inc., Evansville, Indiana. He is also President of the Indiana State Chamber of Commerce; Vice President of the Evansville Chamber of Commerce; Member of the Executive Board of the American Gas Association; and a Member of the Board of Trustees of Purdue University. He was Manager of E. C. Walker Manufacturing Company, and chief Engineer and Superintendent with the Electrical Vehicle Division of the Kentucky Wagon Works, 1907-1912; with Dayton Engineering Laboratories Company and General Motors Research Laboratories as Chief Inspector, General Superintendent and Member of the Executive Committee of the former and as Manager of the Manufacturing Division of the latter, 1912-1922; General Manager, Yellow Sleeve Valve Engine Works, East Moline, Illinois, and Vice President, Copeland Products, Inc. Chairman, Refrigeration Division, National Electrical Manufacturers Association and later consultant to the same organization. Mr. Ruthenburg has received the honorary degree M.E. from the University of Detroit.

Opening Remarks

By

G. H. McCLAIN

*Director of Industrial Relations, Republic Steel Corporation,
Warren Plant, Warren, Ohio*

Today's meetings of The Economic and Business Foundation have as their general theme Production Management Policies. In this afternoon's conferences, discussions centered on the following topics:

1. Production Management and Postwar Business Planning.
2. Termination of War Contracts, Disposal of Government Plants and the Elimination of War-Time Controls of Production.
3. Reducing Production Costs in The Postwar Period.

The general concensus of opinion is that these conferences were very instructive and helpful. The speakers provoked much thinking, as was evidenced by the questions asked in the question periods.

During tonight's forum the members of the panel will address themselves to the subject, "The Role of Production Policies in America's Economic Future." It is peculiarly fitting that sober thought be given to developing sound policies of production in order to increase the opportunity for individual achievement and well being without scrapping the free-enterprise system.

At the beginning of our preparatory period for fighting this war American industry was faced with the superhuman task of producing the requisite mechanical equipment at once in terrifying quantities. Production was ready, and the results now available show that the huge war needs have been met without reducing the quantities of consumer civilian goods to the point anticipated by many. At present American industry is being challenged by the vexing problem of changing from war time production to peace time production in an orderly manner. One organization that is doing much to clarify the problems and suggest solutions is the Committee for Economic Development.

Our panel tonight consists of men who have been among the guiding spirits in that organization. The leader of the panel is Mr. Paul G. Hoffman, President, Studebaker Corporation, and also Chairman of the Committee for Economic Development. At his left, is Dr. John Fennelly, Executive Director, The Committee for Economic Development. To round out the panel The Foundation was very fortunate in getting Mr. Louis Ruthenburg, President, Serval, Inc. If there was time I would be tempted to inject a few personal remarks about Mr. Ruthenburg because it was my privilege to be associated with him during the last war. I now give this meeting to Mr. Hoffman.

AMERICAN BUSINESS POLICIES

Mr. Hoffman: What will come out of this panel is utterly unpredictable, because the gentlemen, one on my left and one on my right, are individualists of the first water. However, in the hope that there may be some order to this discussion, I have prepared an outline of the topics which I thought we would discuss back and forth; and perhaps, with your help, we can keep them reasonably on the beam.

First of all, we are going to try to discuss the employment and production goal, which we feel America must strive for in the postwar period.

Second, the part that production and distribution play in achieving that goal.

Third, the importance of small business enterprise in this postwar picture.

Fourth, we want to tell you briefly how the Committee for Economic Development hopes to contribute to the attainment of our employment and production goal, both in gathering information of help to the individual businessman and for the dissemination of that information. Then we want to discuss the economic climate we feel must prevail if this goal is to be reached, and finally, a brief discussion as to whether the goal can be attained, whether it is practically realistic or perhaps just a dream.

I will open the discussion by speaking of the goal first in terms of employment. Strangely enough, when people interested in postwar situations discussed postwar aims from an employment standpoint and in terms of phrases, there was much friction. For example, one generally accepted phrase was "full employment." Some of us felt that "full employment" was a rather dangerous phrase, because it contained an over-promise. We suggested "high level" or "abundant employment." But it is interesting to note that when the different groups got down to the tough work of actually trying to substitute figures for phrases, they all reached the same conclusions.

In 1940, there were approximately forty-six million civilian jobs. The C.E.D. estimates that in the postwar period we shall have to have from fifty-three to fifty-six million civilian jobs.

In addition to that, there will probably be some two million men retained in the armed services.

Mr. Philip Murray of the C.I.O., speaking before the Economic Club of New York,—perhaps it is his personal opinion—said that if in the postwar period there were fifty-five million civilian jobs, we would have a satisfactory situation.

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN AMERICA'S ECONOMIC FUTURE

The Brookings Institution, after spending a year trying to determine the number of jobs we must have in the postwar period in order to have a satisfactory situation, arrived at a figure of eight million over 1940, or approximately fifty-four million jobs. So you see there is no difference of opinion as to what the goal is among the responsible organizations that are trying to contribute toward the attainment of high level employment.

The important thing to remember is that we must have seven to ten million more jobs than we had in 1940, if we are to have a satisfactory situation, and most of those jobs must be in the field of private endeavor. That includes agriculture and services as well as manufacturing.

Now, Mr. Ruthenburg, I should like to call on you to discuss the production goal.

Mr. Ruthenburg: Of course, being human beings we all think first, in terms of jobs. But it seems to me it may be a mistake to place too much emphasis on jobs as our primary objective, because, if we are to maintain and improve our standards of living, we must put our first emphasis not on jobs but on productivity, and the jobs will result; and the standard of living will improve to the degree to which we have increased productivity.

From the figures that Mr. Hoffman has given you, it is apparent that, when men speak in terms of a goal of a twenty per cent increase in employment, they mean a goal of around forty per cent increase in productivity. The only way in which we have ever managed, or in which anybody in the world has ever managed, to improve the material standard of living has been through increased productivity; and it seems to me we should place the great emphasis on productivity and think of jobs as a result.

It will not profit us very much simply to employ people if they are not employed productively and with the rate of production increasing as the man hours increase, which, of course, is a process we have followed ever since we became an industrial nation. We have lagged in that process in recent years, and if we are going to attain our goal, the golden age for America, I believe we must accelerate that process in the years immediately after the war.

Mr. Hoffman: I take it, Mr. Ruthenburg, that you believe what the author said: "Make happiness the object of pursuit and it is never attained." And perhaps if we focus our attention on jobs alone and

AMERICAN BUSINESS POLICIES

do not give proper thought to the kinds of jobs, we may wake up and find we are in trouble. Is that correct?

Mr. Ruthenburg: That is correct, and I would like to quote your associate, Mr. Scott Fletcher, who stated the matter very plainly when he said he could employ all the available people in the United States, if they would give him authority to build a four-lane highway across the United States using teaspoons instead of mechanical appliances.

Now that would be full employment, but the standard of living would be extremely low, just as it is in China, where men work without benefit of modern mechanical equipment.

Mr. Hoffman: I think perhaps, as the discussion leader, I should apprise you of the fact that the only real intellect at the table is Doctor Fennelly on my left and, therefore, if we do not call on him for a somewhat broader interpretation of this employment and production goal we shall not get the right answer.

Dr. Fennelly: I was sure somebody would begin to take advantage of me before this got along very far. Well, Mr. Hoffman, I should like to call your attention to the various postwar transitional problems that we are going to face.

We in the C.E.D. have been doing a great deal of work on analyzing those problems. It is a very strange thing that almost every problem that we face seems to have an answer, a correct answer, only if and when we attain a new high level of production and resulting employment. It seems to me this is the only way we can possibly lick the threat of postwar inflation and is likewise the only way by which we have any real certainty of balancing our budget and carrying the enormous load of debt after the war.

Of course, as Mr. Ruthenburg has mentioned, it is the only way by which we can attain a higher standard of living. It seems to me that all of the problems—social and spiritual, as well as material—will yield only to that kind of an economy after the war.

Mr. Hoffman: I think that perhaps we ought to get down now to a discussion on the part that both production and distribution can play in the achievement of this better world we all hope for. I particularly hope that Mr. Ruthenburg, instead of generalizing, will tell the story of what he is doing with Servel, Inc., because what he is doing with Servel is what we hope two million other enterprises in the United States will undertake, and, if they do, we think we shall be a long way toward the solution of these problems.

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN AMERICA'S ECONOMIC FUTURE

We feel that it is absolutely incumbent upon those of us who are remaining on the home front to take steps now to make certain that the peace be not lost before the boys come back from the war, and we believe that peace can be lost if we have either vast unemployment, or vast employment by government after the war.

I do not want Mr. Ruthenburg to generalize but to tell you the story of Servel, which, as far as I know, is as inspiring a story of the type of planning and blue printing we believe in, as has been completed by any company in the United States.

Mr. Ruthenburg: I shall try to be brief, but, of course, nothing pleases me more than an opportunity to talk about my own company. We have every reason to believe that the products which we manufactured and sold in the pre-war period will be manufactured and sold in even greater quantities after the war, particularly during those first few years when we have to meet a pent-up demand brought about by the lack of production during the war years. But that will not be enough to insure the level of employment that we should undertake in the postwar period.

Now it happened that when the war stopped our normal activities and we began to go over to war work entirely, we had a development which, as far as any aggressive promotion is concerned, had been put on the shelf. We conceived the idea some years ago of a unit which would cool a residence during the summer months by the use of gas and heat it with equal efficiency during the winter months. We had spent a great many years and a considerable amount of money on the development of that project. By April 30, 1942, when our normal operations were stopped, we had gone far enough to have that product ready for aggressive promotion. The war stopped us, of course, and we felt that during the course of the war all we could reasonably do was keep up our contacts already established with the gas utility, and modernize the plants that we would put in the field for tests—some three hundred of them. As far as any further or more aggressive action was concerned, the matter would have to wait until the close of the war.

That policy continued until we became familiar with the sound philosophy of the Committee for Economic Development. Then we began to question ourselves as to whether we really were doing all we could do to insure the highest possible level of employment in our plant as quickly as possible after the war was over. As a result of that questioning, some very interesting possibilities developed.

In the first place, we realized that no gas utility company could

AMERICAN BUSINESS POLICIES

undertake to market this product without making a pretty careful market analysis to determine whether they could sell it. That analysis would be a time-consuming operation.

Having made a market analysis, the gas utility company would then have to make some rather elaborate budgetary estimates to determine whether this sale could be profitable, and if so, to what degree—another time-consuming operation. The utility would also have to train very highly specialized talent for installation engineering, for selling a highly specialized new product, and for taking care of service requirements. Those were all time-consuming operations.

It seemed apparent that if we could induce these people to undertake those operations now with our help, instead of waiting until after the war was over, we could probably put this new product, this new industry, ahead by at least one year.

At that point we went to Mr. Hoffman and his associates and discussed this project. They seemed to think that our plan was quite feasible. They offered to give us a certain amount of assistance, and I want to say that their performance has in every case exceeded their promise.

It was decided that we would hold a series of meetings which could be attended by every administrative officer of every gas utility in the country. These meetings were held in New York, Atlanta, Kansas City, Chicago, San Francisco, and Los Angeles. The pattern of each meeting was quite similar. The meeting was addressed by a leading business man who was interested in the Committee for Economic Development. Then it was addressed by a recognized utility official who would have personal, first-hand experience with this new device. The things that were said to these men by the Servel representatives were subordinate to what was said to them by the C.E.D. and the utility men.

When we started on this trip we had made some preliminary estimates as to possible employment in our plant. We believed that if a reasonable amount of interest were shown, we might come back and plan to employ as many as five hundred additional people in this new industry. We thought if the gas utility people showed substantial enthusiasm and made corresponding commitments, that number might be increased to a thousand people. If the gas people were very enthusiastic and made very great commitments, it might be fifteen hundred.

When we cast up accounts after the meetings held last June and July, we were convinced that the new industry would require the

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE.

employment of 1,750 additional people in our Evansville plant during the first year after the war.

Our sales department tells us that they estimate very tentatively—none of these figures are exact—that there will be employed in the field by the utilities and by our sales organization about 3,500 people. That adds up to a total of something like 5,000 people who probably will be employed a year earlier than they would have been employed if we had not been stimulated by the philosophy of the Committee for Economic Development.

This is not particularly important, because it is one company's relatively small activity; but if you multiply our activities by a number of companies doing similar planning to speed up postwar employment, you can see how effective the work of the Committee for Economic Development may be.

That, Mr. Hoffman, is, in brief, the story of what we have attempted to do.

Mr. Hoffman: That is a pattern for postwar planning both on the production and also on the sales front. I hope that all of you noticed the importance of sales planning in this picture. That is one problem we have had to contend with in our work with C.E.D., i. e., that so often the people engaged wholly in selling, in retailing, or in wholesaling, feel that they have no part in postwar planning. Actually, they have a tremendous part. There is no possibility of our attaining this expanded economy, unless the selling force of America—and that includes those engaged in advertising as well—start now and develop actual plans for training their people to take their part in this greatly expanded economy. You cannot have production at a new high level unless you have a selling effort at a new high level also. That is perfectly obvious and is, therefore, a part of this picture.

Now I would like to have Dr. Fennelly discuss very briefly the importance of small business in this picture.

Dr. Fennelly: The importance of small business can, I think, be brought out very quickly by a few simple statistics. There are in the United States today approximately three million separate business establishments, exclusive of agriculture. Of these three million, approximately one million consists of one-man enterprises with no employees. There are two million employers who employ from one to ninety-nine employees each. There are 35,000 employers who employ from one hundred to one thousand each, and there are only 3,300 employers who employ more than a thousand.

AMERICAN BUSINESS POLICIES

In other words, out of some 2,040,000 employers, there are two million that employ less than one hundred each. Those two million employ in the aggregate pretty nearly half of the total business employment.

One other factor I should like to mention is this: since the war, there has been a decline of about 10% in the total number of small business employers in the United States. That appears to be a war phenomenon, but it is most important that that rapid decline should not continue after the war.

Mr. Hoffman: I think that perhaps the picture of what the C.E.D. is trying to do begins to unfold now. We are trying to get just as high a percentage as possible of those two million employers to start developing their own plans now—their own bold postwar plans for their own businesses. Of course, as Dr. Fennelly has pointed out, small business is a very essential part of our American economy.

This afternoon my statistics and Dr. Fennelly's were at some variance, but that is of no concern. Dr. Fennelly said there are 2,040,000 employers with from one to 99 employees each. I said there were 1,960,000. He does not know, and I do not know, which is exact.

I think it would be of interest to you to know how the C.E.D. hopes to contribute by acquiring information that will be of help to the enterpriser, be he large or small, in planning his postwar program intelligently. Dr. Fennelly, you have been closer to that than has any one of us here. Will you tell us about this phase of the Committee's activities?

Dr. Fennelly: The first point I should like to make clear, is that the C.E.D. is not trying to impose any program on business. All we are attempting to do is to assist business in making its own plans. Therefore, what we want to give to business is the best information that we can gather on all phases of its postwar planning job. As a result of spending more than a year in recruiting the best talent that we could obtain, we have set up some eleven different advisory and action committees of the best business experts that we could lay our hands on.

I am not going to try to enumerate all the committees but I shall mention some of the most important ones. We have an industrial committee on production problems under the chairmanship of Mr. Hauser, Vice President of Sears, Roebuck & Co.

We have a marketing research committee under the able chairman-

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

ship of Mr. Tom McGowan, Director of Marketing Research of Firestone Tire & Rubber in Akron.

We have a committee composed of five former presidents and the present president of the Association of Industrial Management engineers—all top-flight engineers. These men have undertaken to do two jobs for us: (1) to put together the best statement they could devise on industrial business planning—a statement which will be published shortly, and (2) to prepare a handbook on wholesale and retail distribution problems.

We have a financial advisory committee that has been appointed with the assistance of the American Bankers Association and the Investment Bankers Association, to advise us on problems of industrial and other business financing after the war.

We also have the cooperation of The National Sales Executive Association; The Federation of Advertisers, I think it is called; and The American Advertising Association on Problems of Advertising.

There are several other committees that I could mention, but I think this gives you a picture of the kind of preparation that is going into this material which we are passing out to American business.

Mr. Hoffman: I think you overlooked one committee which I wanted to mention. I discussed it this afternoon; it is the Committee on New Materials and Design under Mr. G. F. Nordenholt, Chairman. That Committee has in its membership almost one hundred trained editors who are specialists on particular materials, and a Board of Review consisting of leading designers. There is now in process the writing of a book on ten new materials and their characteristics. By March 1 there will also be available a sound film on "Trends in Design," which has been reviewed by the industrial designers. That is a most important committee and it has been working out very well.

I think we could say with a clear conscience that in this matter of gathering information, there has been no great difficulty, because of the willingness to contribute to this effort on the part of experts in every field. The problem of disseminating that information, however, is one that calls for a different type of treatment. It is much more difficult.

In other words, how to get this information out so that it will be put to actual use by American enterprisers—that is the problem. We have been dealing directly with some of the large corporations and working with trade-organizations, but in the final analysis the success of this whole movement to attain a new high level of production in

AMERICAN BUSINESS POLICIES

our economy and to meet the employment problem of the postwar period, rests back home. It is a question of whether Main Street is willing to undertake the task of meeting the problems of a given community. New York has to meet its problems, and Youngstown has to meet its problems, and other communities throughout America have to do the same or we are not going to have the kind of America we want.

If, after this war is over, the mayors of American cities put on their hats and go down to Washington to ask for help in financing a new W.P.A., they might just as well resign themselves to the surrender of some of our freedoms in exchange for whatever cash they get. The problem finally gets down to the question of what Youngstown is going to do about getting the information out in the first instance to the employers here, to the job givers, so that they can be persuaded to plan boldly and helped to plan intelligently.

Now Mr. Ruthenburg, in addition to what he has done with the Serval Company, is State C.E.D. Chairman in Indiana, and for personal reasons both Mr. Ruthenburg and I felt that Indiana had to be something of a model C.E.D. state. That work has been carried on by Mr. Ruthenburg, and I think it would be very interesting if he would tell us something of the Committee's activity, as he sees it, in the Hoosier state.

Mr. Ruthenburg: Of course, as Mr. Hoffman has intimated, the pay off of this whole activity is to be found in just what is done in detail at the community level. In the state of Indiana we made a survey of all of the industrial centers and then set about very diligently to find the best man available in each of those communities to act as the community chairman. There are thirty-five of these chairmen in the state of Indiana and they are men of unusual ability and vision. They have been working for a good many months and I can best illustrate the sort of work they do, how they approach their problems, by telling you what has happened in my home town of Evansville.

Evansville is rather a typical industrial town, a city of about one hundred thousand normal population and with a normal industrial employment of about twenty-four thousand people. Evansville has an indeterminate population, but it has over sixty thousand people employed in industrial war work. The local chairman there is Mr. Tom Morton, President of the Hoosier Lamp and Stamping Company, a very aggressively operated business, a very successful business. And he set about his job with characteristic thoroughness.

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN AMERICA'S ECONOMIC FUTURE

He appointed an Action Committee and a Research Committee, and they went to work and let everybody in town know exactly what they were aiming to do. They have been in contact with all of the noon-day clubs there. They have shown the informative films that have been developed by the Committee for Economic Development not only to the clubs, as a matter of general community information, but also to the workmen in a great many of the plants there, so that the workmen will be conscious of the objectives of the C.E.D.

These committees have done a painstaking job of making a survey of every plant in town. They did not make the survey themselves, but arranged to have it made by the executives of those plants. The object was to get the executives to do definite planning and to translate this planning into action. In this the committees have been very successful. And before long they will have a complete summary which will indicate how many people can be employed in the industrial and business activities of Evansville during the years immediately following the war.

Cooperating closely with Mr. Morton's Committee for Economic Development is an organization which has been sponsored by the President of the Evansville Chamber of Commerce, and this pattern is followed pretty generally throughout the state. These organizations do not overlap in their activities, but supplement each other. This Chamber of Commerce Committee is able to enlist representatives of all community groups. I shall not attempt to catalog them all, but they have people representing the schools, the churches, the city government, and the labor organizations. Their committees, in other words, represent a complete cross-section.

I must by no means overlook the women! They have a very active committee in that group. They work very closely with the C.E.D., and, just to give you a practical illustration of how valuable that cooperation is, Mr. Morton thought it interesting to know how many of the people now employed in Evansville factories would probably look forward to continuing that employment after the war. His own group did not have the facilities for making that survey, but the Research Committee of the Evansville Postwar Planning Council did; so the Council and Evansville College, whose President heads that group, set to work to make a survey, a census, of the plants in town.

You must remember that this is important, because we must match as nearly as we can the postwar jobs with the number of people who want jobs there. And with the increased employment that Evansville

AMERICAN BUSINESS POLICIES

has had during the war, there are a great many people who are not residents of Evansville but who work there; people who drive in from a distance of up to fifty miles a day; people who do not live there and do not expect to live there after the war.

As happens in all industrial concerns during the war, there are a great many women who are working temporarily. But the only way we can find out how many of them expect to be employed after the war is to ask them, and that is the way the two groups work together.

As I say, that pattern has been carried out pretty generally throughout the state,—this close cooperation between Chambers of Commerce and the community Committees for Economic Development. It is working very effectively and is sponsored at the state level by the Indiana State Chamber of Commerce, under the able leadership of Mr. Clarence Jackson, who is its Executive Vice President, and who has the necessary contacts with all the local chambers.

Dr. Fennelly: May I break in to apologize to you and this kind audience to say that I became mixed up on Eastern War Time and Standard Time and Youngstown Central Wartime and I have a train leaving in about twelve minutes so I must go. Thank you very much.

Mr. Hoffman: From an intellectual standpoint, Mr. Ruthenburg and I are left very unprotected here, but we shall carry on as best we can. We are particularly sorry that Dr. Fennelly had to leave before we got into the discussion of economic planning, because we all recognize that the policies of government, business, agriculture and labor are going to have a great deal to do with the kind of world we have in the postwar period.

In other words, there are policies of government, business, labor, and agriculture that interfere and block quite dangerously the attainment of that goal. There are other policies that need study, because they have not yet been formulated.

In the latter group we have all the transitional policies, the policies that grow out of the war itself, the questions of contract termination, the disposal of defense plants, the disposal of surplus stocks, what treatment should be given the dismissed war worker when this war is over, etc. All those problems, and others, grow out of the war itself, and we must have answers for them when answers are needed. They must be sound answers, or panaceas may be proposed which would put our economy in a straight jacket for years to come and perhaps defeat any activity that looks toward the attainment of a more dynamic economy.

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

Then there are long-range policies that actually have such an important bearing on employment and production that they need study. I would just like to tell you how the research activity of the C.E.D. is organized in an effort to get the right kind of answers to those problems.

In the first place, we have watched businessmen for many years give serious thought to these problems—considering them at committee meetings, and drawing up resolutions which were sent somewhere, but apparently had very little influence on the situation. And then we have also seen the professors study these problems; they too have come out with something important, but not particularly practical. We felt, above all things, that the studies of these problems, if they were to be useful, should be aimed not at the preservation of business as it is, but at the preservation of a free society in America.

We concluded that these problems should be studied in the light of the general public welfare. There is nothing altruistic about that, because, after all, if a free society is maintained in postwar America instead of a regimented society, there will be a place for free business and free labor. If, however, we have regimentation rather than freedom, there will not be a place either for free business or for free labor.

So with that broad aim, the question was one of technique—how could our committee make a worthwhile contribution, in the way of studied recommendations, to the problems of the types I have mentioned?

It seemed to us that, if we could bring together (1) a group of distinguished business men to sit as a committee with the responsibility of making the selection of policies to be studied and (2) a research staff composed of the very top technicians of the country and (3) an additional group of eminent economists to serve as an advisory board, we should have a combination offering the possibility of a new technique that never to our knowledge has been used to any great extent. The businessmen select the policies to be studied. The studies are carried out by scholars and full responsibility for a given study is assigned to a certain scholar. But he does not go up into an ivory tower and solve the problems by himself. He is free to do that if he wants to, but no scholar has yet failed to take advantage of the opportunity of preparing a preliminary draft and submitting it to the full committee or full research division, i. e., (1) the committee of business men, (2) the research staff, and (3) the economists on the advisory board. Let me show you precisely how this works.

AMERICAN BUSINESS POLICIES

One of the studies undertaken more than a year ago was one of federal taxation, because, as I think every businessman here knows, federal taxation, as it now stands, constitutes a very serious block in the attainment of a dynamic economy. It must be changed. It must be changed in the general public interest. Doctor Harold Groves, head of the economic division of the University of Wisconsin, a very competent man in the tax field, was given the responsibility of studying taxation from a new viewpoint—its impact on jobs and production.

Up to now our tax laws largely have been the result of the desire to raise the revenue needed, with the loss of the fewest votes, or, as President Taft put it quite aptly, "We always try to figure out how to pluck the most feathers and get the fewest squawks." And that has been the approach to the construction of tax bills.

We felt that it was highly important that the approach be from the standpoint of losing the fewest jobs rather than the fewest votes. Now, perhaps in the long pull, a tax bill designed to lose the fewest jobs might be one that would lose the fewest votes if only that were understood by the constituents. Doctor Groves undertook that study. He completed his first draft last August. He then sent copies of that first draft to the full committee, some twenty-five to thirty men. I am not giving the names, but they are all men of top positions in their field, business or academic. Then a joint meeting was held over a week end, Saturday and Sunday, devoted to a discussion of that report.

The businessmen had many suggestions and criticisms to offer. But they were nothing as compared to those offered by Doctor Groves' fellow economists.

Doctor Groves then started and developed a second draft of his report. It went through the same process. And then a third draft. He now is completing his fourth draft. So we think this technique of continuing round-tables, at which are assembled the men from both business and academic life best informed on a given subject, is going to produce something new in the way of studies, something perhaps important in the way of conclusions. Studies of that kind are proceeding on some twenty subjects. All the transitional problems are being studied just as we are studying federal taxation.

Very shortly there will be undertaken a mammoth study on the question of business cycles. We feel, as do our economists, that it is quite possible to develop a program which will tend to flatten out the peak of the boom and alleviate the depth of the depression. That should be done. We must stabilize if we are to have the right kind of

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

economy in the postwar world. We must not only attain a high level of both production and employment, but we must maintain it.

That is the work of our research division. It promises, as I say, to bear fruitful results.

Now I would like to turn to you, Mr. Ruthenburg, and to ask you to tell the audience what you think the chances are of our achieving this thirty to forty-five per cent increase, or, as you said, forty-six per cent increase in the output of goods and services in this country over the last peacetime year of 1940, for that is the goal on which we have our eyes set.

Mr. Ruthenburg: Mr. Hoffman, to me the most encouraging and gratifying aspect of the work of the Committee for Economic Development is the great amount of attention being given to the needs and interests of small business. But the most disquieting and disturbing aspect has nothing to do with what can be accomplished by the C.E.D. as such. The grave question is whether the required understanding and cooperation on the part of other groups can be acquired in time.

Dr. Fennelly gave us a very graphic showing of the importance of small business. I think it goes beyond a statistical analysis. Small business must be maintained, if our American culture and freedoms are to be maintained. If we do not protect the interests of small business, no business is safe. Dr. Fennelly showed you that a very large proportion of our total employment is in small business.

It goes beyond that. Every big business was once a small business. I see a number of men here who, I think, will remember when the Ford Motor Company was a small business. A small business incubates manpower for big business; it develops ideas that grow into big business. That, it seems to me, is vitally important, and I am tremendously gratified that so much attention has been given by the Committee to the needs of small business.

One other thing is disquieting. We must have more than just a passive interest in the work of the C.E.D. on the part of other groups. We must have understanding and active participation and help, from other groups—I mean principally from labor, government, and agriculture.

It seems to me we have accomplished a miracle in fighting this war, because, with the exception of a few marginal differences, all of the groups have pulled together and have put this program across. Can we sustain that common understanding after the war? When I speak of "government," I interpret our government in this country

AMERICAN BUSINESS POLICIES

to be, in the final analysis, simply an expression of general public opinion in the United States. And, therefore, it seems to me that the big problem which confronts the C.E.D. is, "How can we bring about complete sympathetic understanding of the objectives of the Committee for Economic Development on the part of this great American people?"

That, to me, is the determining issue beyond anything that will be accomplished by the Committee. It must be remembered that American industry accounts for only about twenty-five per cent of the total employment in this country. And there is not the clear, sympathetic understanding among the various groups that there must be if the objectives of the Committee for Economic Development are going to be realized.

Mr. Hoffman: I should like to give my answer to the question I asked Mr. Ruthenburg, perhaps in a somewhat different way, however. I think I can speak for all the members of our committee in saying that it is their unanimous view that insofar as the tangibles are concerned, we should be able to raise our economy approximately one-third above the level of 1940. By "tangibles" I mean this: We have the productive capacity to achieve an output at least one-third greater than that of 1940, and that includes agriculture as well as manufacturing. We can and we are certain to gear up our selling effort and advertising effort to a point where it will be at this new high level. Certainly there is a pent-up demand for the right kind of goods. Let no one think that in this postwar period he will be able to sell any kind of merchandise at any kind of price. Nothing is more important than for us to understand that if we are going to have an expanded economy it will come only through expanded markets. And expanded markets are reached only by offering better goods for less money. That is an age-old formula that is going to apply in the postwar period just as it applied in the pre-war period and every period of which there is any record.

But the demand is going to be there for that type of merchandise; and the money to pay for it will be there, because last year's savings in the United States totaled \$35,000,000,000 against an average of \$5,000,000,000 during the 1930's, and by the end of this year accumulated savings will exceed \$100,000,000,000. So you have productive capacity; you have the capacity to distribute; you have the demand; and you have the money to pay for the goods. Why, then, is it not a certainty that we shall achieve this economy of relative plenty as

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN AMERICA'S ECONOMIC FUTURE

compared with the past? Because, as Mr. Ruthenburg pointed out, there are intangibles in that situation.

It certainly is going to be necessary for business and government and labor and agriculture to subordinate group interests to the common good. If in this postwar period we start scrapping and slinging verbal brickbats at each other, it is quite possible that we may lose the opportunity to achieve right here in America an economy in which there will be more for more people than there ever has been in any country in the history of the world.

It is not only the future of America that is at stake. The London Times published an editorial in September of last year. While I cannot quote it exactly, I can quote the substance. The statement was made that hope for a better world rested on the achievement of what was called full production and full employment in the United States. In other words, there can be no better world without a strong, free America. So that we have not only our own national interests, but international interests at stake in this goal of expanded economy, which is right in our grasp. It is the question of whether enough Americans are going to take to heart the real possibility and be willing, not only to talk about it, but to work for that kind of a world. Therein lies the final answer.

Forum Questions and Answers

Mr. Hoffman: Mr. Ruthenburg and I are up here relatively unprotected but perfectly willing to try to answer any questions that may have been prompted by our own discussions at this table, or any other questions you might have in mind relative to our topic.

Question: Do you men think there is any need for granting special favors to small business?

Mr. Hoffman: I could not answer that question with a "Yes" or "No." We have a committee on the special problems of small business, and it will issue a statement within the next ten days. Generally speaking, the problems of small business are the problems of all business. In other words, if you have tax policies that are fair and favorable to small business, they will be fair to business of all sizes. I do think, however, that there are special problems of small business that need consideration, that need study; and, of course, that is why we

AMERICAN BUSINESS POLICIES

have this committee in action. I think also that in any federal tax program it might be well to exempt the profits up to a certain rather low figure, because in the period when business is small it needs to plow back most of its earnings and should be encouraged to do so.

There is the matter of financing small business. Small business has been at a serious disadvantage in the cost of its capital as compared to the cost of capital for a very big business. That is a question that is being studied. What the answer is, I do not know, but I think that, generally speaking, as you study the financing of business, you will find that most small businesses start because somebody saved a little money and went out to his mother, brother, sisters, and friends, and borrowed more by promising a big profit if he could make good.

Many men here in this audience, I am sure, financed their businesses in just that way. I know I started my business in Los Angeles that way. I borrowed from everybody that would lend me a cent. Fortunately, the business was successful; we paid everybody back, and things worked out well. The difficulty has been that in recent years any man who made that kind of promise was obviously promising falsely because even if he was successful he could not possibly show any substantial net profit.

I have a brother who started a small business about three years ago out on the coast. He always worked for somebody else, and he decided he wanted to go into business for himself. He started a business and borrowed some money from a friend of his. He lost part of the money the first year and some more the second. Early this year, however, he was very happy because at last he was in the black. During the first nine months of 1943 he made \$12,000 out of his little business, but he suddenly woke up to the fact that he owed the government most of it. He had put a large part of his capital into new machines to increase his output and as a result had no cash. He came to me and said, "How on earth can I pay these taxes?" I said, "You will have to figure that one out." Most small businesses have encountered this problem.

I told a small group to whom I talked this afternoon about something that, to me, is quite significant. All this discussion of postwar plans is almost always in terms of jobs for the returning soldiers and for the war workers. You never hear anything about the job-givers. I do not believe your good newspaper, The Youngstown Vindicator, has ever published a story on the job-givers who closed up their shops and went to war. Several hundred did just that. A

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

great many businessmen turned the keys in the doors of their business establishments and went into the services. They do not want to come back to a job; they want to come back and give jobs. I told the group this afternoon of the very interesting little survey made by Ensign Morton Frank, who was formerly—before he went into the Navy—Chairman of the Postwar Planning Committee for the Junior Chamber of Commerce. He conducted a survey among four hundred service men and thirty-four per cent said they wanted to go into business for themselves when they return to America.

So it seems terribly important that we, in thinking of the postwar period, not only consider jobs for those who want jobs—but also of opportunities for the job-givers who want to come back and start their own businesses.

Question: Mr. Hoffman, I represent a small business, so-called. Small business is usually home-owned. Is that right?

Mr. Hoffman: That is right.

Questioner: Do you not find that most small business management is very keen on looking after its own dollars which it has worked to accumulate and protect? It has been my experience that most of those fellows in our locality are very, very keen on this subject, and I imagine you get full cooperation from them. That has been my experience.

Mr. Hoffman: I think I can answer that question with figures. At the time we made the last count there were almost twenty-five thousand businessmen, business leaders throughout the United States engaged in some phase of the activities of the Committee for Economic Development. Obviously, those men had to come from small business. I should say that ninety per cent of them did.

I should like to make a point here. My friend, J. Hormel, who is very active on our committee and whom most of you know as the head of the Hormel Packing Company, has been extremely interested in small business for many years, yet he insists that we must not talk about small business; that the very phrase "small business" is something of an insult.

Question: How does your committee tie in with the work of the National Association of Manufacturers along the same line?

Mr. Hoffman: I think that can be quite readily answered. As far as the N.A.M. and the Chamber of Commerce of the United States

AMERICAN BUSINESS POLICIES

are concerned, they are both doing very effective work in this field. Many Chambers are. Rotary Clubs and Kiwanis Clubs and other service clubs are doing a great deal of work. We do not feel for one moment that the Committee for Economic Development has any exclusive place in this postwar picture. We do not want it; and we certainly want to encourage activity on the part of all organizations. As far as the N.A.M. is concerned, their work obviously is limited to manufacturers and that is a relatively small group.

Secondly, the N. A. M. operates out of a New York office. The C.E.D.'s conception of this—Mr. Ruthenburg has been very active in past years in the N.A.M.—is that the whole success of this movement depends upon making an approach in the individual community. It is a community job. In other words, having plans mailed out from New York is not going to be the answer. The answer is what you are going to bring back to your community; what you are going to do to interest other enterprisers in making bold plans. You can take material from the N.A.M., the C.E.D., or from the Chamber of Commerce of the United States and make use of it wherever you can.

As far as our committee is concerned, we have tried to make it clear that our material is not limited to the 1,400 C.E.D. committees in operation today. Our material is available to an individual enterpriser or to a Chamber of Commerce, Rotary Club, or Kiwanis Club, to a labor leader or minister, a teacher or government official, to anyone or to any organization that wants to know what we are doing. We are glad to send what we have, because we are trying to render a service.

Question: Mr. Hoffman, do you or Mr. Ruthenburg consider it most desirable that a community laying plans for the postwar period await the results of a survey of industrial possibilities for employment before contacting retail or private parties to see what the employment possibilities will be there?

Mr. Hoffman: Mr. Ruthenburg, it is your turn.

Mr. Ruthenburg: I really do not think it makes a great deal of difference where you start—whether you start with the services, retail or wholesale establishments, or industrials—except for this fact: most retailers in an industrial community will tell you that they cannot project their own business without knowing what the employment situation is going to be in the factories. That is one reason for starting first with the factories. When you go to the wholesaler or retailer you

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

can say, "Here is what the employment prospect looks like." For the wholesaler or retailer uses such information as his own basis for judgment.

Mr. Hoffman: I should like to add this—the most successful community organizations are those in which there are retailers and wholesalers, particularly retailers because the retailer has to make good in his home town or he does not make good at all. The manufacturer might, to some extent, be a little indifferent to the impact of unemployment in his local community, but the retailers stay there. We find that oftentimes these men make the most energetic chairmen of action committees and of various other committees, because if a community is not prosperous the retailers cannot be prosperous. The retailers can do a very good job in the local communities if you will just get them busy.

Question: Mr. Hoffman, when you asked Mr. Ruthenburg to tell what his company is doing for postwar development, he mentioned a new product. To what extent are we, in our postwar economic construction, depending on new products? What about frequency modulation radios, gas or diesel engines, and other developments?

Mr. Hoffman: That is a tough question. I shall give it to Mr. Ruthenburg.

Mr. Ruthenburg: I can only guess at the answer to that question. But I think we can judge the future to some extent by what has happened in the past, and a great many of us will remember that there was a tremendous growth of new products after the last war. I do not need to catalog them. I could not possibly do it. But you will remember that the household radio was unheard of until after the last war, and most of the chemical products of the du Pont Corporation have come since the last war. I think we can expect such developments after this war. I do not know how we can measure it, because it is a matter of the rather indefinite work or of the unknown work being done in thousands of research laboratories.

Questioner: Your good company has already planned on just how many employees you will be able to use by marketing a new product. Would it not be reasonable to assume that other companies with new products would also plan? I am trying to determine how much we are depending on new products in this postwar world.

Mr. Ruthenburg: Of course, when the survey now being made all

AMERICAN BUSINESS POLICIES

over the country by the Committee for Economic Development is completed, a figure representing the estimate of the total employment in all of the communities in which the C.E.D. is active will be had. Whether or not that figure will give any indication as to how much of that employment will result from new products I do not know, but perhaps Mr. Hoffman could answer that.

Mr. Hoffman: I do not think you could reduce employment resulting from new products to a percentage. I believe that certainly in the first two or three years—that is, during those very vital two or three years after peace comes—we shall have to depend largely upon the expansion of existing businesses and the expansion of sales of existing products. I think that that is a certainty because, after all, we have this pent-up demand.

Take the automobile industry. I think it is fair to assume that there is at least a possibility of the sale of not less than eighteen million cars and trucks during the first three years after we have a free market. When that will be, I do not know, but after we have been freed from government control, I think there will be a potential market for about eighteen million units, not less than that. That represents about seventy per cent over the average for the three years preceding 1942—'39, '40, and '41—and they were good years.

In other lines you will have expansion of a similar nature. Refrigerators will see a great expansion; so will all household appliances. New businesses and new industries will contribute, but I think the big contribution is going to come through expansion of existing businesses and existing industries.

Here is something that interested me. In a rash moment, I made a statement that, as far as agriculture was concerned, people ate just about so much and that no matter how prosperous they were, they could not eat very much more. I found out that that was a very foolish statement, for the diet we have has a very substantial influence on the volume of farm output. If we eat corn, as corn, it represents such and such an output. If we eat hogs as corn, corn means perhaps two and a half times as much in the way of dollar contribution to the farmers. We have an entire change of eating habits with a more prosperous situation. So there are opportunities for greatly expanded markets of existing products due to a higher level and better distribution of income. I have never yet seen measured, and I do not know that we can measure, the effect of these higher incomes in what used to be the low level income brackets.

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

I think that, like most industrialists, Mr. Ruthenburg and I both believe in high wages. We believe in a high-wage policy. We think that the opportunity to give value depends, of course, on our getting back to more efficient ways—I am not talking about labor as inefficient—but I think we have got to find ways by technological advancement to cut down the unit cost of labor in things we are selling. But we do want to see maintained a high-wage level, because that is one of the necessary factors and elements in a high-level economy. You cannot have one without the other. Ten years ago among our own workers in our plant, there were no prospects for new Studebaker automobiles. Four years ago I should say that perhaps ten to fifteen per cent of our employees were in the market for new Studebaker automobiles. And from the way they are clamoring now, I think they will all be in the market for new Studebaker automobiles when this is over. That is just bringing the picture home,

We do not know—it is hard for us even to envision—what this market may be in the postwar period, because since we have had this higher level income—(and this, I think, sounds like “distribution of income”)—we have had no real opportunity to gauge its impact on the market.

Question: Mr. Hoffman, I had thought the Committee for Economic Development was an organization to conduct business research and to plan for industry. But in your experience in various parts of the country, if I get the meaning of your speeches, you have continuously stressed that there must be four groups working together if we are going to solve this problem. Here we have the Committee for Economic Development with a large number of scholars and committees already making surveys and studies and so forth. Could you answer the question as to where the other groups come into this planning and research that is going on? What part does the Committee for Economic Development expect labor, agriculture, and government to play?

Mr. Hoffman: Our first responsibility, as far as field development is concerned, is mainly to sell the idea that it is smart to plan boldly to the individual employer. To help him to plan intelligently for his own enterprise is obviously a responsibility of his fellow businessmen, is it not? That particular activity does not call for collaboration. It is, in our opinion, a service which business must perform for business.

Now we come to the type of collaboration in the community

AMERICAN BUSINESS POLICIES

level of which Mr. Ruthenburg spoke. We feel that it is very desirable that our local committees, or community committees, have representatives of labor, representatives of government, and representatives of agriculture, as a part of the group. There is absolutely nothing mysterious about this. In studying the problems of the community, certainly labor groups, church groups, etc., should take an active interest. That is especially true concerning public works which is mostly a local activity—not our activity at all; but we are interested in it.

Whenever our National Research Committee is studying "policies;" whenever we have under consideration a subject that we think would be of interest to labor or the farm group, economists connected with the group concerned are invited into the meeting. At our last meeting, we had several such men sit with us. Obviously it would be silly for the C.E.D. to give any recommendations whatsoever as to what special consideration should be given the dismissed war worker without having committee discussions with the labor group on that subject.

One of our projects is postwar agriculture. Before a report is published, we certainly shall invite, and hope to bring in, the agricultural organizations for discussion and consideration of that report. In other words, we are trying to bring into all of the national studies, if I can call them such, the viewpoints of all interested organizations. There is no meeting of our Research Committee for example, at which the economists of the A. F. of L. and the C. I. O. are not welcome. Similarly, as far as the broad program is concerned, such matters are discussed with the heads of the national labor organization and farm organizations. We try to keep everything open on the table, because we believe that we all have a part to play in this matter of trying to expand the output of goods and services. But we think that there are certain parts of the job that business has to do for itself because business is principally concerned. Is that a fair answer to your question?

Questioner: It is to a certain extent, but I still do not think it brings out the point I am talking about, because as I said, in your speeches throughout the country, and I have quoted them many places favorably, you have said continuously that this is a problem for business, labor, agriculture, and government.

Mr. Hoffman: Let me amplify my answer. I failed to make myself clear. I feel this way, and I have so told Mr. Green and Mr. Murray: I think there are some very special problems of labor that

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

you ought to be giving some attention to, that you ought to be studying; you ought to be studying this question of work restrictions and their effect on our expanded economy; that is not a study for business, but a study for labor.

In business, we ought to be studying the effect of monopolistic practices, because if monopolistic practices are restricting output, restricting jobs, it is our duty in the first instance to study that phase and see what can be done about it.

Similarly, in agriculture, whatever the problems are, we feel that they should first be studied by the particular group. I think there will come a time when, if our positions have been clarified and if we have mutual trust as we go along—and we certainly have tried to invite all groups into our discussions of these problems—we shall find that the area of disagreement is very limited and the area of agreement is very large.

I do think, however, that labor has its own job of developing a thoroughly statesmanlike pattern for labor leadership in the postwar period. I think that business has a job of developing a program of its own that will reflect fine statesmanship in business, and the same applies to agriculture. I even have hopes that government will sometime take a look at itself and see if it cannot develop a statesmanlike program for government.

But I believe each of us has a separate job to do, and that all of us have the job of collaborating rather than fighting it out on a purely selfish basis of group advantage. Is that clear?

Questioner: It is to a great extent, but I still do not understand how you are going to get collaboration among government, labor, agriculture, and management when they are not represented on your C.E.D. at the top.

Mr. Hoffman: I think the less formal collaboration, the better off we are. I have been required to collaborate formally at various times and on such occasions nothing happens; but whenever it is informal, we get along fine. We are, therefore, attempting not to formalize this collaboration.

Somebody proposed that there ought to be a twelve-man group, three from labor, three from government, three from business, and three from agriculture, and that they should sit down and develop a great postwar program for economy. They would not be through talking a hundred years from now. It seems to me that what business

AMERICAN BUSINESS POLICIES

has got to do is "saw wood." It has got to do something. It has got to prove by its acts.

The same thing is true of labor and agriculture. And it should also be true of government. I think that if each one of us will approach our job from the standpoint of general public interest, we shall then find when the day comes to get together that we shall not have many differences.

In other words, I admit that I am afraid of formal collaboration, because so far it has resulted in debate. But I think that a great deal can be accomplished along this other line.

Mr. McKee: I think this point is worth adding here: The four top economists whom the C. E. D. has engaged—Dr. Sumner H. Slichter, Dr. Robert D. Calkins, Dr. Theodore Yntema, and Dr. Neil H. Jacoby—all are looking at this problem from the very standpoint that Mr. Hoffman has mentioned. Certainly, each of these four men has an established reputation for looking at economic problems from the standpoint of the common good, including the long run good of labor itself.

Mr. Hoffman: We even invited Miss Page to our last meeting; Dr. Ray Walsh, your C.I.O. economist, was invited but could not come; Dr. Fennelly is in touch with your C. I. O. officials and your economists continuously; Gardner Means is in touch with them most of the time—because we feel we are trying to do a statesmanlike job for business. That, we think, is our first job. Our second job is to make sure that we understand the viewpoint of other groups, that those viewpoints are taken into account, and that we prepare ourselves for collaboration when collaboration is properly due.

Now I mean every word I say. I do not see any point in doing otherwise. It seems to me that the achievement of an economy in which we shall have this increased output of goods and services, goes 'way, 'way up—beyond either partisanship or politics, and we must keep it there or we are not going to win out.

Question: Assuming that a company is going to plan boldly, what assurance have we that after A-Day or V-Day restrictions that are in effect will be lifted so that the planned, blue-printed program of business can go forward?

Mr. Hoffman: I am in no position to give you any assurance. However, I think that if the bold plans are ready, we shall have a

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

much better chance of having the restrictions taken off than if we are merely in a state of chaos.

In other words, I think that this, after all, is a matter of public sentiment. I think that perhaps the public sentiment against controls is building up to such an extent that they may be taken off too soon. It may be highly desirable to have a continuation of certain controls for a short time, although I want to make myself quite clear: the quicker we can get back to a generally free competitive economy, the better it will be for everybody. But as long as we are short of goods, and as long as the demand is overwhelming, we may have to continue price controls. We must not have inflation. But I am not concerned about the continuation of government controls.

There are, for the first time, sixty million families in America who know what control really is. Up until recently only a few heads of business knew what government control was. The word "control" had no significant meaning for the average American. It was merely academic, but there is now hardly a person in America who does not know what you mean when you talk about controls and regimentation. He has been pushed around; he is going to be pushed around more, and he does not like it. So, I am not too concerned about the continuation of control and regimentation.

Question: You mentioned the hundred billion dollars backlog of savings. I am very much interested in that, because it touches on my business, teaching people to save money. How much of that is going to be released immediately after the war, and if a lot of it is released—say in the first three years after the war—just what effect is that going to have on the national economy, as far as inflation is concerned, particularly if a large share of it is going into consumer's goods?

Mr. Hoffman: I am sorry Dr. Fennelly is not here to answer that, because I do not know that I can do so satisfactorily. Would you like to try it, Mr. Ruthenburg?

Mr. Ruthenburg: I share your wish, Mr. Hoffman, that Dr. Fennelly had not left so soon. I think Mr. Hoffman answered that partially a while ago when he said that he was fearful there would be a great pressure of public opinion toward the release of controls too quickly. In other words, if that great amount of expendable money were available in the absence of a supply of goods, it would probably have a very serious inflationary effect; but if we can continue reason-

CHECKED
2003-04

AMERICAN BUSINESS POLICIES

able government controls until there is a balance between supply and demand, it does not seem to me the situation will be very serious.

Mr. Hoffman: I should like to add just this: I think realistically about the postwar period—that the one thing we can count on to guard against inflation over a five-year period for example, is goods. In other words, a supply of goods. That is why the effort of the C.E.D. to prepare this bold plan quickly and to have action on it quickly, seems so important. If we can have goods enough, we shall not need the government controls, while if we do not have goods enough, government controls may have to be maintained, and they will work very unsatisfactorily in the postwar period. You may be sure of that. Those controls are not working too well now, although a good job has been done. Moreover, it would be extremely difficult in peacetime to make people feel that it was unpatriotic to patronize the black market. Remember prohibition. I think the public's conduct then would be such that the restrictions would be doomed. Our only hope is to have goods, to turn out goods enough; if we do I think we can win.

Question: Is it the consensus of this forum that taxes could, today or tomorrow, destroy this nation, as they have other nations in the past?

Mr. Hoffman: As far as this forum is concerned, we say definitely "Yes." Would you not agree with that, Mr. Ruthenburg?

Mr. Ruthenburg: Yes.

Mr. Hoffman: I think there is one point that perhaps is not given enough weight in tax policy. It is not only the amount of taxes you raise that is important; it is how those taxes are raised and where. I think that is best illustrated in this way.

You can put 75 pounds on the back of a doughboy, and if it is properly distributed he can march twelve or fifteen miles a day. But if you place a thirty-pound pack on him and it is distributed in the wrong places, he will collapse within two miles. If we are going to have this very heavy tax burden to face when the war is over, the question is, how is it to be distributed? It must not be distributed so that it interferes with increased output any more than necessary, because taxes are always repressive. The tax burden should be so placed that it interferes the least with this expanded output of goods and services, because, if it is so distributed, it is then possible to envision

THE ROLE OF PRODUCTION MANAGEMENT POLICIES IN
AMERICA'S ECONOMIC FUTURE

carrying even a twenty-billion-dollar tax load; but a ten-billion-dollar tax load can create terrific problems if it is distributed in such a way that it prevents our having the number of jobs available that we should have.

Mr. McKee: One of your very good points was that we ought to motivate job-givers. Would you please outline in conclusion what you think are the most important things that should be done to motivate, to create, the most favorable environment for job-givers?

Mr. Hoffman: We must have substantial restoration of rewards. We have got to have a reward for the man who puts his money into a small business and takes a chance that that business will prosper and grow. Now the thing that is so overlooked in considering venture capital is the fact that historically two-thirds of venture capital has always come from plowed-back earnings.

If you are in business and if you are not allowed to use plowed-back earnings, but instead have to pay them all out in taxes, you do not have a chance to grow, and the very thing that has built America and has built jobs is cut off at its root. So I think that, generally speaking, we must have policies that encourage people, and that means good tax policies. I think that actually tax policies encourage people to go into risky ventures and into risky enterprises. I think that tax policies alone can have a tremendous effect on the kind of an economy we want.

I expressed myself this afternoon and repeat the thought here which I should like to make my final word. As we sit here in this forum, we should remember that our boys are fighting all over the world for our freedoms, and that we are not going to win this peace by ourselves—not by a long way. The chances are that the biggest single contribution to the winning of the peace and the kind of economy we want is going to come from boys who are not home now. They are in the armed services and, when they come back, they are going to supply the dynamism that this enterprise system of ours needs to make it expand as it should. It is these men that I have in mind when I speak of the postwar period.

This afternoon a question was raised in our small meeting as to whether it was not unpatriotic to think of planning for the peace while we are still in the midst of a great war. Certainly our war obligations come first. No person should question that. Every American should be sure that he has made his maximum contribution to the winning of

AMERICAN BUSINESS POLICIES

the war as the first order of business. But certainly we cannot with clear conscience today sit here and with a "do-nothing" policy lose the peace, for if we do, when the boys come back they will find that their chance to live in a decent world is gone because we did not take care of their interests while they were away.