

# FREE COMPETITIVE ENTERPRISE

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**F**REE men must have free competitive enterprise, and competitive enterprise is the indispensable ingredient of a prosperous post-war world.

Not only enterprisers say that. Vice-President Wallace has said, "The spirit of competition will and must continue to be one of our main driving forces." Thurman Arnold, the former Assistant Attorney General, says, "We need to get rid of the idea of a security economy, and return to competitive industry." The A. F. of L., according to President William Green, "supports our American capitalistic system of free enterprise just as vigorously as we support trade unions." The T.N.E.C., after a two-year study of what has "undermined the foundations of both free enterprise and free government," said in its report that encouragement should be given to free enterprise, and to the use of private capital.

One of the most encouraging evidences of the common man's deep underlying faith in his own American competitive enterprise system was disclosed by *Fortune* magazine's latest survey of worker opinion. Asked if after the war they would "like to see government own and operate automobile factories, only regulate them, or leave them alone," 56 per cent. answered "leave them alone," 23 per cent. favored regulation, 10 per cent. wanted government monopoly, and 11 per cent. were noncommittal.

In fact, the poor old much maligned free enterprise system can hardly get used to all the popularity. The public likes us, the politicians like us, and the economic planners like us.

Millions of fighting men are risking their lives for the idea of democracy, but I think they would be defrauded if, having won, they were to come back to a "bill of rightsless democracy."

I believe in free competitive enterprise as the touchstone of everything that America is or can be, but I have absolutely no faith in the impossible economic hybrid of free enterprise crossed with the corporate state. Today, management generally realizes that no institution, particularly free enterprise, can exist and live by sufferance of society, unless it benefits that society. Unless the people can translate the business process into terms

of higher standards of living, then it cannot exist. Production lies at the heart of the more abundant life. It is the incentive of free enterprise—ever increasing the rate of production which keeps raising our living standard higher and higher.

## "TONY" GETS A BETTER LIFE

Take the case of Tony. Tony is a factory worker. He probably would be classed as one of the "underprivileged third." He was not skilled in hand or mind. His fingers were clumsy, and his eyes were bad. Tony was created equal politically, but endowed poorly by his Creator for life in a competitive industrial world.

Tony longed for a more abundant life. He tried charity, relief, and the WPA. Each gave him only a bare minimum existence. He then turned to industry. He could not read micrometers, nor understand blueprints. He was useful only as a sweeper at small wages. He yearned to be a well-paid machine operator like the boys around whose machines he swept the floor. The American competitive free enterprise system solved his problem.

Designers went to work to improve the tools of production. By means of gears, electrical controls and the application of modern developments the hand machine became fully automatic. The skill of hand and mind of the operator was literally transferred to the machine itself. There came a machine to supply the skill that Tony lacked. Now look at Tony!

He sits on a comfortable stool, in front of the new machine. He raises a lid; inserts a blank piece to be worked on, closes the lid, presses an electric button. The machine, automatically controlled, turns out, in half the time, a finished piece more accurate than the skilled mechanic used to make. Tony does not know what goes on inside that machine. He only knows that now he is producing wealth and, through his higher wage, sharing in it.

Tony is now more productive than was the skilled mechanic, and can have more of the good things of life. And the skilled mechanic is freed from the drudgery of the production job, and is employed in building more new machines that make possible more production by more Tonys.

The world is full of Tonys longing for better lives. No laws, edicts, social schemes, or reforms can give the Tonys more than a bare minimum of

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\* Mr. Crawford's article, taken from his speech delivered before the Economic Club of Detroit, February 15, and Mr. Greene's answer have been condensed for reasons of space.

—Ed.



existence. Only by making the Tonys productive, can they enjoy a higher standard of living. Their hope lies in a free competitive enterprise. For it is the lash of competitive free enterprise that spurs new designs and better machines.

### THE TRIANGLE OF BUSINESS

Let me see if I can't explain free competitive enterprise in simple language. Industry is an unusual triangle in that it has four, instead of only three elements:

Over here in this corner is really the most important of all, consumers. Let's call them Market. The American Market alone is 130 million people. Americans will always want more good things, and their cry will always be, as it has been, "Better things at cheaper prices."

Over in the second corner of the "Triangle of Life" is Capital. And, looking closely, we see that Capital is also 130—and the same 130—millions of Americans. Capital is anyone who has a life insurance policy, a bank account, an automobile or, indeed, a pair of shoes—for even a pair of shoes represents an investment of capital. Again the basic human demand—"How can I get the most for my investment?"

In the third corner of the triangle is Labor. And again, this element is the same 130 millions of Americans we found in the other corners. Labor's demand is for less work and more money.

Now, the fourth element in our unusual triangle is Management—in the middle as always. Successful is the Management which can reconcile the other three apparently irreconcilable forces.

But industry is not a poker game in which if one wins, another must lose. Industry is a device for the creation of wealth, a device by which all can share in the wealth produced. There are no classes in American industry. 130 million Americans are Market, Capital and Labor.

From 8 in the morning until 4 in the afternoon Tony is LABOR. He's conscious of it. He's mad at Capital, and mad at Market. He wonders why he doesn't get more money.

At 4 o'clock Tony goes home and goes shopping with Mrs. Tony. He forgets that during the day he was Labor. He's now Market. He's a tough buyer. "Why can't you sell this stuff cheaper?" he demands.

On the way home, Tony stops to make a deposit in the bank. Now he's Capital. Again, he's a tough guy. "What are you doing with my money? Why can't I get 4% instead of only 1%? Can't you run a bank any better than this?"

He forgets that he has been Labor, Market and Capital in the same day.

But there is a sort of glamour in talking about these matters in four syllable words, even though they may be more understandable when we use shop language. For the sake of the "experts," let me advance my own philosophic definition of free enterprise:

"Free enterprise is a *term* used to describe the freedom of the individual to assume *responsibility for production* upon his own initiative, spurred on by *competition* and restrained only by governmental *policing* in the general welfare, and stimulated by a free flow of capital."

Private enterprise was fathered by human experience, and mothered by the necessity to exchange goods and services in a complicated world. It grew up with mankind and reached its full flower here in America where the economic climate nurtured its chief characteristics—individual initiative, inventive genius, and investment capital.

Private enterprise is the common man's own choice. Freedom of enterprise is one of the oldest, if not indeed the oldest, of man's freedoms. Free enterprise is characterized as much by the worker's right to choose between employers and between occupations as it is by the manager's right to choose between the products he will make. Free enterprise cannot exist unless men are free, and when men are free we cannot avoid free enterprise.

### COMPETITION ESSENTIAL TO FREE ENTERPRISE

Private enterprise lives only when every cross-current of the market place has full play, when competition fans the sparks of individual enterprise and initiative into the flame of achievement. Competition is the driving force that opens new markets, creates new products and produces goods in volume at prices so low that the humblest can share in the abundant life. That's the reason, too, why well-intentioned efforts toward social gain may do more harm than good. It may eliminate some competitive factor.

A curious paradox is that too frequently "monopoly" and "private enterprise" are linked in some minds. One is poison to the other! Monopoly is the *death* of private enterprise. Of course, there are some areas, such as telephones, electric light and certain other utilities, in which the public prefers a monopoly. In such cases, government regulation is not only appropriate, but is essential to the public interest.

Labor is rapidly finding out that it must either drop its monopolistic practices or subject itself to strict governmental regulation. Unless its eyes are closed to all the lessons of history, labor will move of its own initiative to divest itself of monopoly, for the alternative is an end to free trade-unionism. Organizations as well as products should be competitive. There is no law and should be none com-



pulling manufacturers to join the National Association of Manufacturers. There should be no law or regulation or order compelling workers to join a union or requiring them against their wills to remain members. Unions, like any other organization or element in a competitive economy, should exist only on their ability to serve their members. They should so serve their members that workers would clamor to join, instead of being whipped into line by government rulings or coercive union practices. The National Association of Manufacturers has been opposed to the use of illegal cartels. It is also opposed to patent license agreements, domestic or international, which have the effect of killing competition. The Association has made recommendations for legislation requiring the public registration of international patent agreements and cartels.

#### REHABILITATION — A JOB FOR PRIVATE ENTERPRISE

Suppose we take a look at how we hope it to operate successfully in a post-war world. America,

with all of its fund of wealth, and the greatest productive machine in the world, cannot *give* every Hottentot a quart of milk a day in perpetuity. We cannot give our Hottentot a quart of milk, let alone a ready-made Utopia, as a form of permanent international charity.

What must be done is to show the Hottentot that if he will exert himself a little, and collect a few more coconuts than he normally does, he can sell them for a plow. With his plow he can scratch the soil and cultivate a farm. With the proceeds from the farm he can buy a cow. Then he can strip old Bossy of her health-giving milk twice a day, and get his own gallon of milk, and perhaps even more that he can sell to less enterprising Hottentots, and free competitive enterprise will make plows in such quantities and so cheaply that the Hottentot can buy them.

This is the essence of the answer to the post-war problems. We must plan a permanent peace in which a sound economy can thus function. It is the prime obligation of American business man-

#### BARONET GIVES LANDS TO NATION

Sir Richard Acland, 36-year-old British aristocrat, made a gift to his nation of a fortune valued at one million dollars, including 12,000 acres of fertile farmlands in Devon and Somerset.

Asked for the reason behind his gift, Sir Richard said that "on Christian and political grounds, I am sure that Britain has reached the stage in which private ownership of substantial resources like landed estates, railways, banks, mines, and big factories is frustrating the economic and moral development of the country."

The Aclands got their title fighting for Charles I against Oliver Cromwell in 1643.

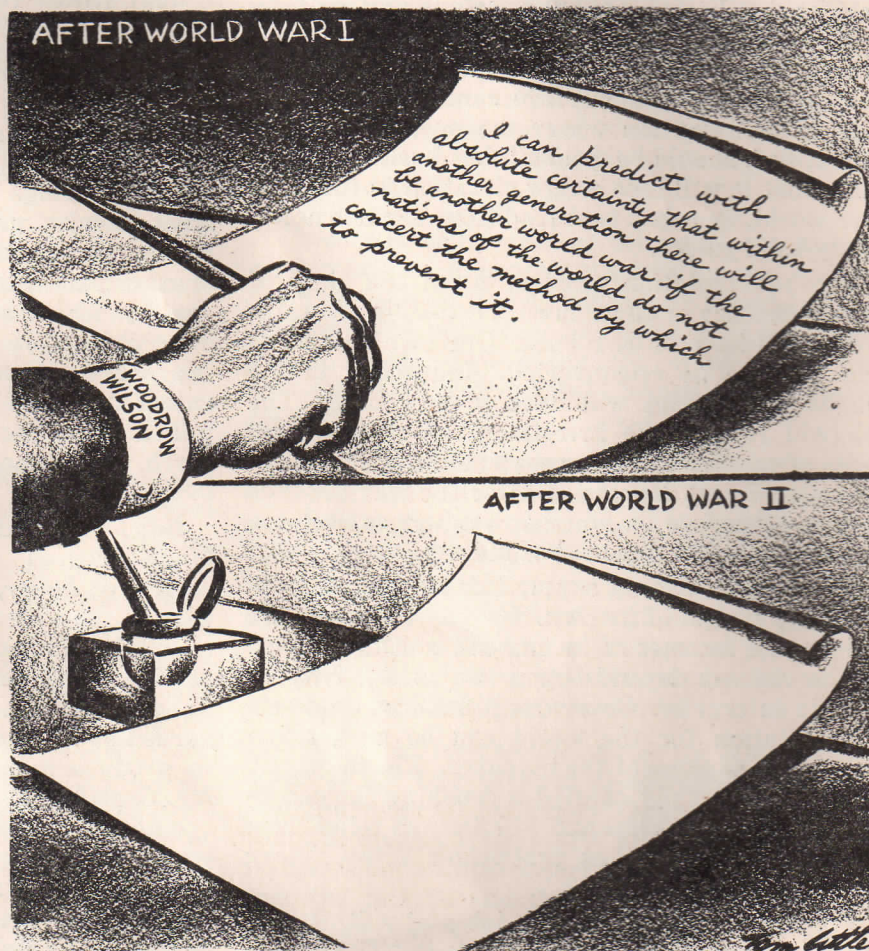
"Those reactionary ancestors of mine," he exclaimed angrily in describing them. One of these ancestors was a redcoat colonel who was in action between Generals John Burgoyne and Charles Gates on the Hudson River during the American Revolution.

"As long as I am owner of the estates and drawing income from them, the right thing never will be done," he said.

"I am the ninth successive head of my family to sit in Parliament and as long as there is free speech I am committed to politics." He added. "My political work condemns me as an absentee landlord and that is bad, no matter how you look at it."

Last July Acland resigned from the Liberal Party and founded the Commonwealth Group, now running candidates in the parliamentary by-elections on a platform of public ownership of vital resources. The Commonwealth Group's slogan is "unlimited guts for unlimited morality."

—Courtesy of the *Chicago Sun*.



Cartoon by Tom Little, Courtesy, Nashville Tennessean and The American City



agement to see that American free enterprise functions to the utmost in a world made safe for peace.

Management is ready and anxious to join with government and other groups to produce a blue print of progress, instead of a confusing welter of many plans. With vast pent-up domestic demands, new world markets, astounding new research developments, the engineering progress of the war period as a basis for the enterprise system to function, the outlook is not drab but glowing, not discouraging but inspiring to the best efforts.

#### INTERNATIONAL TRADE

One of those efforts of management is to become more international-trade-minded. This requires careful re-inspection of our whole attitude towards world trade.

We must recognize that complete self-sufficiency is not a sound ideal, even though the protective tariff will remain a valid device to insure America the industries which, for strategic or other reasons, should be maintained within our boundaries.

If we want a market in China, Russia, India and other nations for the goods we can produce the best, obviously we must not bar those nations from our own market. If we're going to fight as a world nation, we must trade like one, as well. Diplomatic peace and economic warfare cannot live side by side. The transition where the protection seems unjustified, should be gradual, but business recognizes that it will face a new situation in the post-war world, and that past traditions are not necessarily valid guides.

Our rehabilitation problem is not one alone of sheer efficiency or sheer inventive genius. A whole world will have to be rebuilt. Our own industries will have to be re-converted. Industries in the war-torn countries will have to be rebuilt. The job will require the investment of astronomical sums of capital. Whether we shall have real prosperity or a real depression after the war depends in great measure on whether venture capital can be encouraged to come out of hiding.

Government cannot supply this missing capital. It has no capital of its own. Its only resources are the taxable incomes of its citizens, and the income of the citizens depends upon the productivity of private enterprise. Government financed economic rehabilitation for the world can be undertaken only at the expense of the taxpayer. The taxpayer, who has cheerfully carried a crushing burden to insure victory, expects and will demand relief from that burden as soon as practicable after victory has been achieved.

Private capital can do the job and will, if permitted. As *Fortune* magazine puts it, "The daring individual, the risk-taking entrepreneur, should

therefore become the darling of America's future economy." But private capital's ability to assume the responsibility depends on the encouragement given by government to private investment. Many policies in effect not only in the war period, but in the years preceding the war will have to be drastically modified or abandoned.

If this country is going anywhere, government, industry, labor, farmer, all with a confidence in each other and the nation's future, must move together. Vice President Wallace has the right idea when he says that in a successful postwar period "individual initiative and enterprise and government responsibility for general welfare will continue to pull in double harness for a better life for all the people."

Mr. Wallace can make tremendous contribution toward the accomplishment of that goal if, in the near future, he will reassure America that the "initiative and enterprise" of which he speaks are the same initiative and enterprise which I have tried to outline.

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#### RETURNING TO THE TRIANGLE OF BUSINESS

Mr. Crawford describes "The Triangle of Business" as four-cornered: Workers or Labor, Investors or Capital, Markets or Consumers, each assuming positions on the tips, and Management in the center inspiring them. He shows how Management brings Labor and Capital together to create wealth, and asserts that industry or trade is not like a poker game in which if one wins, another must lose. "Industry," he says, "is a device by which all can share in the wealth produced," and we assume this to mean that each can share according to his production. To the extent that each has not received the fruits of his toil each has been slowed down, and has failed to reach his highest potentialities, materially and morally.

But let's get down to bedrock, and analyze the "four-cornered" triangle. Management is merely a form of *Labor*, and Market is another term for *Wages*, the avenue of distribution to Labor's hand or mind. In Markets he seems to include that part of the wealth returnable to Capital as well as to Labor. This is sound logic if Capital is to be regarded as all wealth or labor products being used to produce more wealth. Apparently, however, Mr. Crawford does not differentiate between land (or natural opportunities) and labor products (or wealth). Perhaps Mr. Crawford has not broken down in his own mind the factors in the production of wealth to the degree that economic principles demand. His Labor, the active factor, must work upon a comparatively passive factor, Land or all