

## INDUSTRIAL COOPERATION.

By Charles P. Steinmetz.

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On the solution of the problem of industrial relations between employer and employee depends the orderly progress of our prosperity. It is necessary first to specify the viewpoint from which we approach its solution, as our conclusions largely depend thereon.

There are three possible viewpoints:

1.) Capitalism: The industry is the private property of the capitalist owner, and labor and the public have no rights nor duties. The only relation between employer and employee is the labor contract, entered in by individual or collective bargaining. Labor thus is a commodity controlled by the law of supply and demand. If the labor supply exceeds the demand, the price of labor may be forced below a living wage, and masses of unemployed may starve, without anybody being responsible. Inversely, if the demand exceeds the supply, labor may force its wage up to the destruction of the industry without any consideration of the public.

This viewpoint is increasingly being abandoned, as unsafe, by our leaders of industry and finance, especially since the experience during the last war. It is however still largely held by labor and represented by the conservative union leaders.

2.) Socialism: All values are created by labor, labor therefore is entitled to the full value of its product and capital has no right to any part of the product of labor; but capital, by securing control of all the means of production, becomes able to exploit labor by exacting a tribute from it.

As only a small percentage of Americans accept this viewpoint to day, we may, regardless whether it is justified or not, leave it out of consideration here.

3.) Cooperation: Capital and labor both are necessary for industrial production, and both therefore have rights and duties in the industry.

As this viewpoint is increasingly gaining ground amongst the industrial leaders, I shall in the following consider the problem of industrial relations from this viewpoint, but I do not claim that the following necessarily represents my personal opinion, nor that it involves a moral issue, but rather gives the logical conclusions from the viewpoint of cooperation between capital and labor, as the necessary foundation of industrial efficiency,

It then follows that labor as well as capital have rights on the profits, in the management and the organization of the industry; but both also have duties and responsibilities towards the industry, and thus towards each other and towards the public.

It means that the industry must be organized so as to guarantee to the employee a living wage, affording a minimum American standard of living, and continuity of employment; but it also means - which is not always realized - that the industry must guarantee to capital a fair return, sufficient to attract it, and continuity of this return. The problem then arises to harmonize these two requirements and to reorganize our country's industrial system so as to eliminate the alternate periods of depression and inflation.

In this, it must be realized that our industrial system is so complex, that any rash change or radical modification is liable to be disastrous, and the transition to industrial cooperation therefore must be gradual, by evolution.

Two main difficulties in bringing about industrial cooperation are: the industrial leaders, representing capital, while realizing the desirability and even necessity of industrial cooperation, do not always realize that cooperation implies two parties coming together, but sometimes are inclined to work out a plan of organization, and then expect labor to cooperate in the plan devised by capital. This obviously is not cooperation but paternalism. On the other hand, it is difficult and slow to develop real cooperation, where one of the parties, labor, does not yet see the desirability of cooperation and therefore is antagonistic and suspicious, disinclined to accept

the responsibility towards the industry which is the inevitable reverse of the rights in the industry.

Coming now to the various plans of industrial cooperation, they may be classified as monistic or dualistic, with innumerable intermediate forms.

In dualistic cooperation, capital, as heretofore, is represented in the management of the industry by the Board of Directors and receives its share of the profits as dividends; labor has a separate organization of labor representatives, elected by the employees, dealing with the problems of special importance to labor: arbitration of grievances, working conditions, wages and working hours, shop management, etc. This arrangement has found considerable development abroad. It has many advantages, but also certain disadvantages over the monistic arrangement, which endeavors to completely unify labor and capital by having them both, in some form or other, participate in the profits of the company through dividends, and in the management of the company through the Board of Directors.

Extracts from two addresses by Dr. C. P. Steinmetz, delivered  
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The first step in co-operative industrial production is the co-operative corporation. Thus the corporation is not merely the result of the higher economy of mass production, but it is the necessary result of the economical law that unlimited competition leads to destruction, and, therefore, must be replaced by co-operative organization of the industry by the corporation.

So, now, we see industrial competitors combining into the great corporation. Whether this is better or worse than the "good old times" where everybody got rich - or hoped to - or independent, is immaterial; that time is now passed and cannot return. Economic laws govern the industries.

The reason why I mention this is that we may see what the corporation means and understand, that it is not an incident but an industrial necessity. What then are the activities of the corporation? The purpose of the industrial corporation - that for which it is legitimately created - is production or transportation.

But we realize that there can be no production without administration; so besides the activity relating to production or transportation - which I may call the technical function of the corporation - there must be administration, comprising supervision, accounting, etc.

The administrative function, therefore, is a necessary part of corporate activities. Then there must be, at least in our present industrial organization, a financial activity: we must provide the financial means for producing, must sell the products we make, so as to recover the money spent in producing, etc. So you see, a third activity of the modern corporation is the financial function. We find here three functions - the financial, the administrative and the technical, incident to the modern industrial corporation.

If the industrial corporation were an inanimate structure, a machine, this would be all. But the constituent elements of the industrial corporation are human beings, and this makes necessary for the efficient operation of the industrial corporation those activities which are incident to its elements being human beings - the Humane function, as I may call it, which comprises the departments relating to health and education.

Both of these departments are now in the foreground of interest, because with the progress of the organization of the corporation conditions have now been reached where efficient organization of this human activity have become the most important in order to maintain industrial progress and stability.

We realize that the corporation, like other things, is a product of growth. It has been growing gradually, and is still developing and growing; and it is still undeveloped and crude in many respects. The outsider does not always realize that the corporation is not a perfect and unchanging organization, and when finding many serious defects in the corporations in relation to the humane element, may oppose the corporate idea altogether without realizing that the cause is that the corporation is still imperfect and growing, just as we find human beings not completely developed.

Naturally in the history of the development of an industry the financial function is the first consideration, because financial organization is the beginning of the corporation. The next step must be and is Administration Reorganization. The next step is Technical Reorganization; and after that come the Humane Activities, not because they are less important but because the other functions of the corporation must be efficiently organized, before the humane functions can be developed.

When we look over our present civilization we find corporations in all four stages of development. Looking at the people who have to do with a particular corporation you shall commonly find that their attitude toward a corporation reflects the position of development which the corporation has reached. Where the corporation has attained only financial and administrative reorganization - and not the technical - the public usually is strongly hostile, because the corporation has not yet reached the efficiency of production, which results from technical reorganization, and which is the only justification of the corporation to the people. But complete co-operation you will find only among people dealing with corporations which have begun the development of the fourth activity, corporations which realize that their constituent elements are human beings who must be treated as human beings who have some rights, among which rights are the rights to education and health. Thus, the humane function is not a philanthropic activity of the corporation; it is as much a part of the reorganization for efficient corporate work as the other divisions which we have mentioned.

Therefore, matters pertaining to health and education are being taken care of quite considerably to-day - in the problems of safety and welfare. The matters pertaining to education are being approached by many corporations, and they are being increasingly considered.

But you must realize that the individual effort is weak and incomplete. When the Technical Reorganization of corporations came it would never have gone as far in accomplishing what has been accomplished had it not been for the co-operative activities of all corporations - for the big societies that are taking care of the technical side of corporate activities - the National Mechanical, Electrical and Civil Engineering Societies, and other technical associations.

To accomplish successful results in the four activities of corporations, it requires in the same way national co-operative action. Only through national action can it be brought about promptly and efficiently. That is, through such societies as ours, and this is why this Society was organized; and to-day it deals with the organization of this most essential activity of the corporation, just as the other three activities are already well organized in the better class of corporations.

It is the incomplete organization of the human activities which is the cause of most of the resentment against corporations - which undoubtedly

exists and is very widespread among the masses of people. Such resentment cannot be eliminated by considering it as an aberration of the sentiment of the people, or by trying to impress the people that the corporation has come to stay. We must make them realize that the modern corporation is not complete yet; that it is like every other modern thing - growing and developing; and that the Human Functions of the corporation, in their importance, are being realized through the corporation world; but that it requires a good deal of time before it is organized and developed as far as the technical side has been, for instance. And at many of our annual meetings much will have to be done by us, as well as by many who will join us, in this work of taking up the individual activities and co-ordinate them before the corporation is what it should be to take care of modern civilization in such a manner as to be fair to all, and not depress but improve the elements of human industry.

So you see this fourth activity is the most important. The other three are being taken care of; but the Health and Education activities must now be taken up, and the time is ripe; the field is their, the country is receptive, but work must be done in order to accomplish the results. (Prolonged applause.)

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We can realize the reason for this when we consider that the temperament of the successful executive is not the typical temperament of the human race. When speaking of the executive, I use the term here with the same meaning as it has been used before, in the meaning accepted in speaking of executives of private and public corporations. That is not the man who merely carries out the instructions, executes them, but the man who selects and decides what shall be done, whether in an individual case or in the general work of a department; who decided how to carry it out and select the means, including persons, and sees that it is carried out.

Such action in addition to the knowledge of the business or the industry which is covered by the work, requires initiative - the ability to act independently as an individual, not as one of a group or mass doing what it is the custom of all to do, but to act individually for himself on his own initiative, irrespective of others.

In other words, in the executive individualistic temperament is the fundamental requirement of success.

The typical temperament of the human race is not individualistic but collectivistic. We realize that when we consider how easy we all drop into a practice which is customary; and how difficult most of us find it to do even a small thing if it is against custom - no matter how silly the custom is. Thus we are collectivistic and find it difficult to act differently from the masses around us.

There are two types of beings; the individualistic type, well represented by members of the cat tribe; and the collectivistic type, well represented by the dog, the wolf, etc. The human race tends to act as a collectivistic type, and it is difficult for man to act individually.

Now, the qualification of a successful executive is individualistic. The executive, therefore, is not a typical human individual, but is a variation from type. The result, therefore, is that it is more difficult for the executive to understand the mental attitude of those subordinate to him, and rather difficult for these subordinate to him to understand the attitude of the executive. But to get that understanding is necessary for efficiency, for efficiency is based on co-operation between the executive and his subordinates. Co-operation requires first of all a mutual understanding. That is the weak point inherent in executive positions; there must be a mutual understanding and the executive, to be successful, should be a variation from the racial type of man, and therefore finds it difficult to understand the racial mental attitude.

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