

Dr. Charles P. Steinmetz:--Mr. President, Ladies and Gentlemen:-- In the name of our Society I desire to thank the City of Philadelphia and Director Cooke, through whom the City of Philadelphia has so kindly offered its hospitality; and I wish to say that I know, and all of you will realize, that this offer of hospitality is not a mere formality; (Applause).

I have been at Conventions in this City many times since the earliest convention I attended here over twenty years ago; and my impression has always been extremely favorable; and I appreciate that more than any other City Philadelphia is hospitable towards conventions and toward us. (Applause).

It has been said that in New York City a man or a convention is known and accepted on the basis of the amount of money which they possess; that in Boston they are appreciated by the family they come from: but in Philadelphia they are appreciated by what they are. And I believe in the attitude of the City of Philadelphia, the City of William Penn, who still presides over the City as he stands looking down from the top of the City Hall.

The impression I have received of Philadelphia in the conventions I have attended is that while it is a big city, one of the metropolis of the continent, yet in dealing with conventions it approaches in spirit that of the smaller towns where the convention is made a subject of great interest to the town, is made to feel at home, to feel that the welcome and offer of the freedom of the city is not a mere formality, but is truly meant so by all the citizens and all the civic bodies. (Applause).



Ours is not merely a congregation of representatives of corporations or corporation schools who have come together to exchange information in convention; but what we are doing here is pertinent to one of the most important social and industrial developments which is before the world to-day. You realize that our industrial system is in a transitional stage - is changing - and has been doing so for a century and a half.

More than a century ago "Equal Rights for All Human Beings" was made a basic rule for all civilized peoples of the Earth. From this started the great development of the human race, and it has been going on ever since. The great inventions of the last century, the steam engine and, later, electricity forged the tools which made the industrial development of today possible; and free and unrestricted competition brought out the best abilities of everybody, and man, advancing himself, thereby advanced human society and developed our industry. What we have accomplished hereby we all realize. We realize that things which were unknown even as luxuries not long ago, are necessities of to-day.

Thus the competitive system of industrial production has made modern civilization. It has increased the productive capacity, the ability to produce commodities perhaps more than *a* hundred fold. But you realize that there had to come a time when the ability to produce ~~to~~ commodities increased beyond the possibility of the consumption or the demand for that commodity. That was the first weak point in the organization - that it was



possible to produce more than we could consume. This meant, that there has to be some limitation placed on unlimited competitive production. So we are beginning to realize now that free competition can not limit production to a fair and permanent condition, a condition where the production is continued, limited to the demand, at a rate and under conditions affording a fair profit to the producer. When the means of production exceed the possible demand of the industry, under existing social conditions, <sup>or</sup> means that the industries cannot operate at maximum rate, but must lower production, in order to have production remain economical.

Production to-day follows one law which is not generally recognized: It is more economical for industries to produce at a loss than it is to stand idle. The factory or the mill that is standing idle represents a continuous and very considerable expenditure, a considerable loss - fixed charges, maintenance, etc., and no income to offset such charges. Hence, production, even at a moderate loss is less expensive than the cost of maintaining the factory in complete idleness.

This means then that where there is unlimited competition, and a productive ability beyond the possible demand, production will not limit itself to that fair value of profit which returns a reasonable interest on the investment; but the price of the commodity will be forced down where it is more economical not to produce than to produce. This value is



below the cost of production because, as I pointed out, it is more economical to produce at a small loss than not to produce at all, at the greater of fixed loss charges.

So, unlimited production beyond the possible demand reduces the price of the commodity, and forces it down below the level of the cost of the article, and the factory must finally shut down. Such a condition is ruinous and means the destruction of the industry.

You all remember this condition as existing about a quarter of a century ago.

The remedy is a replacement of the strictly competitive arrangement by a co-operative one. It means that modern production must be organized, cooperative production.

The first step in cooperative industrial production is the cooperative 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 cooperative 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 can not 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 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 therefor 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 becoming necessary 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 has 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 human 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 <sup>will</sup> ~~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 cooperation 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 human 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 today - 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 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 cooperative 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 fourth activities of corporations, it requires in the same way, national cooperative 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 today it deals with the organization of 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 wide-spread 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 coordinating 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 there; the country is receptive: but work must be done in order to accomplish the results. (PROLONGED APPLAUSE).