

INDUSTRIAL RELATIONS

14 February 1950

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MR. MASERICK: General Holman, distinguished visitors, and gentlemen: Down through the decades of history, conciliators, mediators, and arbitrators have sought, without success, something which would establish peace and harmony permanently between management and labor. Our speaker this morning, Mr. Thomas G. Spates of the General Foods Corporation, was awarded the first Award of Merit from the New York Personnel Management Association for outstanding performance in the field of personnel relations. He has an important message for management. In his lecture this morning, we have asked him to tell us how management can retain the confidence it has and how it can regain the lost confidence of the workingman. His lecture is entitled "Industrial Relations."

I take this opportunity of presenting to the Industrial College of the Armed Forces and to our visitors, Mr. Spates.

MR. SPATES: Members and guests of the Industrial College of the Armed Forces: During my civilian career, I have had accorded me by the military establishment many honors. I feel one of the greatest of them is the privilege of addressing you today.

I am going to start this lecture of mine this morning by describing to you a cartoon. It is not a Valentine cartoon. This cartoon shows the employment office of the "Gimmick-Gilligan Corporation." In this employment office sits the employment manager and a candidate for a position. The employment manager is saying to the candidate: "When tired, we have a company rest room. When sick, we have a company doctor. When you wonder why you ever took this job, we have a company psychiatrist."

So I ask myself, in your presence, what is this job that I undertook to do this morning in about 35 minutes?

The specifications of this job assignment read: "Management must be more constructive in its efforts to win back the lost confidence of the workingman. It should intensify its efforts to promote job security and job satisfaction for the individual worker. Such a program should provide maximum skills, maximum employee contentment, and reduce to a minimum a recurrence of World War II problems in the next emergency." That seems not to leave any room for comment with respect to the place in that assignment of the leaders of the armed forces, but I promise you that you are not going to escape.

I have a firm belief that it is just as important for this audience to know from what point of view I address myself to that assignment as it is to know what I say about the assignment. Therefore, let me tell you from what point of view I address myself to this subject. It is a very brief analysis of what has been taking place in our social-economic life since the beginning of the period of industrialization.

I characterize the first decade of industrialization as a period when business and industrial leaders were in the driver's seat, and they successfully maintained a pretty good political alliance with the Government. The things that characterized this alliance between the Government and business and industrial leaders in the first decades of our industrialization were exploitation of national resources and exploitation of human resources, primarily for private profit.

A commentary on those early decades appeared in "The New York Times" on 29 January 1950 in an article which said: "The outlook of these men is as black as the coal they dig. Their minds are dominated by memories"--and I underscore the word "memories"--"of the days when the companies owned everything in the mine patches, including the miners, and exercised their ownership with brutal disregard for human rights." That is a commentary from one section of our industrial life on some of the characteristics of the early decades and the alliance that was successfully maintained between industrial leaders and our Government for the exploitation of human resources, primarily for private profit.

Then came the longest and deepest economic depression in the history of our country, and some other leaders took the driver's seat. Since about 1932, our social-economic life in the United States has been dominated by an alliance between labor leaders and government, paralleling the alliance of the early decades. The years of this alliance between labor leaders and government have been characterized by fallacious economic practices.

From that brief analysis--or diagnosis, if you will--of the background against which we shall discuss this subject today, I conclude that the primary problem facing us in government, education, and industry is leadership--improving the quality of leadership rather than changing radically the system under which this leadership operates. I think it is not unrealistic to say that we have been witnessing, for entirely too long a time, abuse of power, and we are in many of the difficulties we are in today because of that abuse of power. Therefore, when I put the emphasis on improving leadership, I mean just this: We should do more about developing leaders who know how to use their power for their own and the common good. And this is

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where I do not excuse the armed forces and our National Military Establishment. In their entire educational process at Annapolis and West Point they have the same problem that business and industry have of developing leaders who know how to use their power for their own and the common good.

By improving our leadership, we are bound to get a restoration of confidence--and it is confidence which we lost as a result of the depression beginning in the early thirties. I would submit to you for the purposes of your further consideration the observation that this great yen for security on the part of everybody at somebody else's expense has its origin in the lack of confidence, or the destruction of confidence, which was generated as a result of this long and deep depression.

When I talk about leadership, I am not talking about a lot of platitudes; I am not talking about telling a prospective or a present leader that he should have the qualities of loyalty, tact, self-control, courage, justice, and faith. I am talking about courses of education and training which will give to our present and prospective leaders the know-how and the ways in which they may conduct themselves in relationship to the people whom they direct, so that they will establish a feeling of confidence and a reputation for good leadership for which we have such a tremendous need.

From this point on, I will rely upon you to draw some parallels between what I have to say about industrial and business leadership and leadership in the armed forces.

The standard of leadership in industry and business that I am talking about is one that accepts a sense of social responsibility. I think it is valid to generalize to this extent with respect to business and industrial leadership today. There are leaders who still proclaim--very seldom publicly--that they are in business for the sole purpose of making a profit. By contrast, we have a group of leaders who are inclined to say--publicly--that they are in business not solely for the purpose of making a profit but because of a responsibility to conduct the business in the best interest of owners, customers, and employees. That is what I mean by an acceptance of social responsibility. I mean a sense of responsibility that does not wait for an arbitration board or a fact-finding commission to persuade a company or an industry that it should voluntarily make some provision for the old age of its employees. I am talking about an industrial and business leadership that has a set of principles of personnel administration that it is willing to reduce to writing and make available to all.

I might add here, somewhat parenthetically, that during my two years as a member of a personnel advisory council to the armed forces I was

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one of the advocates of a published, reduced-to-writing policy for the Department of the Army. When I looked back to my service as a private and a second lieutenant in World War I and the experiences I had had in the United States and overseas, I was forced to the conclusion then that the personnel policy of the Army was "treat them rough and tell them nothing." That conclusion came out of the experiences I had had. In the absence of a reduced-to-writing personnel policy, those on the pay roll of either government or business have to find out the hard way, as a result of their experiences, what the personnel policy is. I understand there is now a personnel policy for civilian employees of the Department of Defense, and I am encouraged to believe that someday there may be one having to do with military personnel.

So that I shall be somewhat more specific, within the limitations of the time available, I am going to read six specifications of sound organization which should be a part of any personnel policy.

"1. The purpose of the organization and each part thereof should be clearly defined and explained.

"2. Every position in the organization should be prescribed in writing.

"3. Each unit of the organization, and the supervisor thereof, should be confined to the performance of a single leading function.

"4. The span of control of everyone who directs the work of others should be kept within practical limits.

"5. Responsibility should always be coupled with corresponding authority.

"6. A clear and well-understood line of authority should run from the top to the bottom of every organization."

The reason I have selected, from a host of sections on sound personnel policy, these specifications of sound organization is that, in my experiences with the armed forces, these are the ones which I have seen and experienced as being most commonly violated. I have seen organization charts in Washington--among them those of the armed forces--which raised many more questions than they answered. The most common characteristic of them is dotted lines. You always have to ask, "What do the dotted lines mean?" and I have yet to find an unequivocal, straightforward answer to that question. These six specifications are the generally accepted standard against which to test the soundness of organization concepts and structure. You can be absolutely sure of trouble and reduced productivity and morale when they are violated--and that one I will guarantee.

I have been talking about the thing that is most important in our life, and it goes for all of our institutions--an improvement in leadership, in terms of know-how, that can be transmitted through the channels of education and training. Some of the characteristics of this leadership are a reduced-to-writing set of personnel principles, the placing of someone on the payroll to see to it that those principles are enforced, and a very considerable amount of emphasis, at all levels, in all organizations, on consultation and explanation.

As I have frequently said, if I had to reduce what I am trying to say here this morning to just two words, those two words would be "consultation" and "explanation." You men in this room who, as you have directed the work of others, have practiced consultation and explanation, know the tremendous satisfactions that you have gotten in seeing the results in terms of the spirit that people put behind the performance of an assigned task.

Those of you who have ever been engaged in the function of personnel administration, in business or otherwise, know how very difficult it is to get across to the highest levels the fact that good personnel administration can produce tangible results. So more and more I am trying to bring to bear, in the arguments that I use for improved personnel administration, evidence and support for what I am talking about.

Right out of the file--and I don't mean the textbook-- I have brought with me this morning some material. The first one is from Windsor, Ontario. It is a letter, dated 17 January 1949, from the union committee to the manager of that plant, which says, among other things:

"So at this time, with the markets leveling off, we are making no wage claims and we feel sure that should our optimism regarding prices be unfounded, you will, as in past years, be ready to discuss it with us.

"That covers all we have in mind at this time, and we trust that our negotiations will be carried through in the same spirit of harmony and good will that has prevailed in all of our previous meetings."

What that message says is that, against a background of the things I have outlined for you in terms of leadership and social responsibility in industrial and human relations, those are the results that can be achieved. They are tremendously significant in the light of what we are seeing almost daily on the front pages of our newspapers.

I would expect you to react to that one in terms of, "Well, that was a cinch. You didn't have any trouble at all. You had no problem because the union took the initiative in making it easy for you."

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All right. The next one out of the file is dated 13 October 1949. As against the one I just read, which had no demands, I have before me a list of 22 demands made to the management of one of our operations by a union which is supposed to be tough. These 22 demands are for the union shop, a general wage increase of 18 cents, 3 weeks' vacation for 15 years service, payment by the company of half of the cost of the hospitalization plan, and assumption of the full cost of both the insurance plan and a pension plan which costs two and a half million dollars a year, etc., etc.--adding up to 22 demands. We will say it is a relatively tough union, as the terminology goes, and they "mean it." Again against the background that I have reviewed for you, a background of years of painstaking effort to do some of the things that I am talking about, you find yourself in the presence of a union committee that says, "We are very serious about these 22 demands." Well, what do you do about that?

You prepare a set of charts. This is a process of communication and information, and in these charts you find, generally, the economics of this particular business. To put it somewhat briefly, these employees and their representatives are taken into the confidence of management in terms of the problems that management is up against and the problems that they, too, are up against in the economics of this situation.

The unfortunate thing is that this relatively simple procedure is also relatively rare.

What were the results? The results were that, in the process of negotiation, the union committee withdrew all its demands except a minor administrative one, and the contract was signed.

You might think that the union leadership would feel a bit embarrassed--perhaps even ashamed--because it had not gotten any one of the important demands. Yet, by contrast, the president of the local, who is one of our employees, had published in the newspapers, in the face of what you might have considered a disastrous defeat for the union, the following statement--and this is out of a newspaper:

"The union is sincere in its belief that, if the kind of attitudes and the degree of mutual respect existing between management and the union at... (blank--no plugs) existed generally, there would be a much healthier labor situation throughout the Nation. than now prevails."

From this diary of collective bargaining I now turn, for my next case example of results to be achieved by the practice of sound personnel principles, to an illustration of what can be accomplished through the processes of training.

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As a result of some of our own studies and studies made by other companies, we came to the conclusion that 80 percent of the things that go wrong in our organization--and I would say in yours as well--are due to people--get that; not acts of God, for example--who either don't know, can't do, or don't care. Reflect on that for a moment. Eighty percent of the things that go wrong in the armed forces, in General Foods, and so forth, are due to people who either don't know, can't do, or don't care. And training is the only known medium whereby you can fill those gaps.

Here is my illustration: I am aware that in the armed forces there may not be a gigantic problem of accidents, but in our company there is a major problem of accidents. It is a human problem and it is an economic problem. In 1945, we came to the realization that the accident frequency rate--if that is technical and some of you don't know what it means I will tell you later;--in our corporation, across the country, was 22. Having become conscious of the problem and knowing from other experiences the power of training, we tried training applied to the problem of accident prevention. We wound up in 1949 with an accident frequency rate of 6, as compared with 22 in 1945, even though in that time the exposure had been increased by 48 percent.

Those frequency rates are reflected in workmen's compensation costs. In a similar time, our workmen's compensation loss ratio went from 80.24 to 34.4 and saved a very considerable amount of money in workmen's compensation for the corporation as a whole.

That is money in the till as a result of applying the methods of training to the problem of accident prevention. And if you can do it in that field, you can do it in any other field where things go wrong for the three reasons I previously mentioned.

Here is my last illustration of what can happen as a result of the things I summarized for you and which I think are just as applicable in the armed forces as they are in industry: Down in the Maryland Peninsula, we have a chicken processing plant. It was built in 1945, and the engineers who built that plant said that it would have a daily capacity of 32,000 chickens processed. In 1949, that plant processed not 32,000, the maximum for which it was built by the engineers, but 65,000, an increase of 100 percent, with a 57 percent increase in the number of people on the pay roll. That result is a consequence--and the hard-boiled line fellows would tell you this--of the application of the things I have been talking about. And here is a note out of the file: "The direct labor cost per unit of finished product has shown a constant decline even though wages have been increased every year, including 1950."

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Then let me read this little human-interest story from the Maryland Peninsula chicken plant, on whose pay roll most of the employees are Negroes. We have a practice, at least once a year, of answering the employee's question, "How am I doing?" We call it a performance review. I explain that so you will get the import of what I am about to read. During 1949 we completed performance reviews on every employee in the plant, and one of the Negro boys, who had spent several years in the Army, wrote on his performance review: "This is the first time in this part of the country that I have had the experience of being treated like an American citizen."

I doubt if you need any more. Having in mind that the vast number of people on that pay roll are Negroes, and getting a reaction like that, I think you would agree with me that you don't need any fancy gadgets in order to increase productivity and production. That message says to us that the hearts of the people on that pay roll are being given to the job, in addition to their hands. Their hearts are back of it, and that is what you get when you practice sound principles of personnel administration; it does not make any difference where or with what kind of people; we deal with all of them, including a thousand natives in the Philippines.

I anticipate a question on your part: "Why so much confidence in the results to be achieved by the use of these principles and incentives of personnel administration?" Here is my answer: Because they are so universally acceptable that no one dares oppose them; because there is no satisfactory substitute; because they reduce the costs of operating a business and thereby contribute to the long-term economic advantage of owners, workers, and customers; because they increase productivity and thereby help to raise standards of economic well-being; because the record still supports the conclusion that Americans prefer those principles and incentives to unionism; because they help to meet the paramount challenge of our time--this is where leadership comes in--that people at all levels of human organization everywhere, including the armed forces, may get spiritual as well as material satisfaction from their work experience; because they stand today as the last bulwark of defense against the spread of federalized paternalism and imperialistic communism.

Last October I was in England, and there was on a program in which I participated a Major General Douglas N. Wimberley. He told me afterwards that he was the fifth generation of professional soldiers in his family. He is now serving as the principal of University College of St. Andrews at Dundee. At Brighton, England, in October, he made this statement: "Our generation is probably the best educated, the healthiest, and the most socially secure in history, but it is undoubtedly also the most frustrated and the most confused."

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I think that observation carries equal force in the United States of America, because the confidence that we lost in the early thirties has never been restored. And my effort this morning has been to give you at least a partial diagnosis and prescription.

Thank you very much.

MR. MASERICK: We are ready for questions.

QUESTION: Mr. Spates, during the early portion of your talk, you made a remark about the alliance between labor and government that started in 1932. Notwithstanding your last remark that the confidence lost in the early thirties has not been restored, do you consider the alliance to be a continuing healthy one, or has it grown too much in favor of labor?

MR. SPATES: I think I dealt with that when I said that first under predominantly business leadership and then under predominantly labor leadership we have had abuse of power. My interpretation of abuse of power is failure to use power for one's own and the common good.

I might add to that by saying that many of the things we are contending with today resolve themselves into the difference between the short view and the long view. I think that, in recent years, many decisions have been made and actions taken by leaders of organized labor, encouraged and aided by leaders of government, that have seemed good for the short view and not good for the long view.

Is that an adequate answer to your question?

QUESTIONER: Yes, thank you.

QUESTION: Sir, I refer to a remark you made which may not have the implications that I read into it. You said that, if these policies you propose and advocate for management, which certainly seem to be very fine policies, are adopted, then, as I understood you to say, labor would prefer that situation to unionism. Does that mean that, if these policies are pursued, you believe that unionism will gradually disappear? If so, do you consider that desirable?

MR. SPATES: What I said is--and I have, believe it or not, even in this brief case, a mass of documentation to support my statement, but which I assume we don't have time to refer to-- that the record still shows that Americans prefer high standards of personnel administration to unionism. So we are in agreement on what I said. And from the record taken from statements by leaders of organized labor and unionized workers, I can support that observation. I could cite plenty of examples in support of it if the time permitted--and I am not ducking that because of any limitations on my time.

Your further question was approximately this: Assuming these high standards of personnel administration to be more and more extensively applied; would unionism disappear? The short answer to that question, I think, is "no." I would expect that there would always be a--the first word that comes to my mind is residue--of organized labor. Also, no one in this room will live long enough to see these principles of personnel administration universally applied, because the task of developing and training leaders who are enlightened enough to use these principles is a long, long job. On the other hand, I do answer your question and say that where these principles of personnel administration have been applied, the union leaders themselves tell us they have not been able to persuade the workers to join them. Also, we have an increasing number of examples where, having unionism and then the persistent and sincere use of these principles over a considerable period of time, the employees have decided that they do not need the force of collective action or unionism.

One of the lessons I have had to learn in terms of what I am talking about now is the length of time it takes to re-establish confidence. The only modification I would make now of some beliefs I had some years ago is that it takes longer than I had expected.

Since I have answered the second part of your question by saying that unionism will not disappear, I will change the third part of your question to this extent: Assuming that unionism diminishes rather than disappears--and I predict that it will diminish where these principles are more extensively applied, because there is plenty of evidence to support that--then you ask me, "Is that a good thing?" I am not the one to answer that question, and putting it that way is not for the purpose of evading an answer to your question. Whether or not it is a good thing, I am willing to have the workers of the United States decide, because the decision is in their hands. The people on all the pay rolls of the United States--government pay rolls and the pay rolls of our educational institutions as well as the pay rolls of industry--are still unrestricted in their right to answer that question, and they are the ones to answer it.

From my experience, I might draw the inference that more of the good things of life, or the more abundant life, seem to be enjoyed by the employees who work under these principles than those who work under unionism. That is the message they give me.

The other answer is perfectly obvious. If unionism were the answer to the things we are talking about, unionism now being as extensive as it is, presumably we would have industrial peace now. But that does not seem to be true even in our industries that are most highly organized. We used to be told, "This CIO leadership is relatively young. Until they sow their wild oats you can't expect anything but trouble." But we have old, experienced labor leaders who give us trouble just as the youngsters presumably do.

Also, if wages were the answer, as some industrialists, as well as organized labor leaders, seem to believe, then we would have industrial peace now, because wages are the highest they have ever been. By contrast, we have our worst and most recurring labor troubles in industries that not only pay high wages but have boasted about that fact. We don't solve qualitative problems by quantitative methods, and this is a qualitative problem. This is a problem of the spirit, and you don't reach the heart and spirit of people through quantitative methods; you do it qualitatively. Also, the law of diminishing returns applies to the quantitative method, as we have seen so clearly demonstrated in the last few years.

QUESTION: But don't you think, sir, that the qualitative method thrives sometimes under the spur of the quantitative pressures?

MR. SPATES: Your question implies that you think so. I am willing to have you do so.

QUESTION: Sir, I am, at times, confused by the thinking of labor. In the case of the company you cited in your talk that dealt with the tough union, I believe you stated that it was the policy of that company to keep the employees well informed. If the employees were adequately informed, why would the union make 22 demands in the first place?

MR. SPATES: I am going to choose my words pretty carefully on this one. There is a difference between the motives and interests of employees and the motives and interests of those who are engaged in organizing them and keeping them organized. One way of putting that is: Do you deal with your employees through the union or do you deal with the union through your employees? We would not sit down to a bargaining session except in the presence of some of our own employees. Some very interesting things result from that procedure. Also, that is effective in reaching the union and the leaders of the union, as distinguished from your own employees. We have had three cases in which the union committee of our own employees tossed the business agent of the union out. They just would not let him in the meetings any more because they didn't like the way he was conducting himself.

I have a hunch that there may be something lingering in your mind. Let's be completely frank about it. The union that you have picked from my case material came into being because of the malpractices of personnel administration in that plant of ours. I could spell out for you the things that were being done which the management should not have done and which persuaded these employees that they needed the force of collective action to bring this management to its senses. So from my point of view, with complete justification, the union came into being and felt it had to be tough and throw its weight around. That was some years ago. In the meantime, there have been some changes in

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personnel at the management level, and there has been a more sincere and conscientious use of some of the principles I have been talking about. This has had its influence on the employees, but has not been very effective so far as the business agent of the union is concerned because he is in the business of organizing and keeping them organized.

I might add that, in the same piece I read from, there is a quotation--it is a longer one and I did not use it--from the international representative of the union in which he compliments the management on doing a swell job of keeping the employees informed.

Does that answer your question pretty well?

QUESTION: Yes.

COMMENT: I think you would be interested in a remark I heard when you concluded your talk. I heard someone around here say, "He's got a lot of good points." I think all of us feel that way, and that this idea of farsighted, progressive leaders will furnish an answer to stopping devastating strikes.

QUESTION: I am interested in how you are able to get members of the employees at large in on your union negotiations. If the union insists that it is the sole bargaining agent and the representative of the employees, that would preclude free mixing of the employees, would it not? How do you get around that?

MR. SPATES: If I recall my own remarks accurately, I can see wherein I might have somewhat misled you there. What we insist upon is that, when a union comes into being and begins, through collective bargaining, to represent the employees, the bargaining take place in the presence of representatives of employees and not exclusively in the presence of the business agents or the international representatives. This means that a group of our own employees--they may be 4 or they may be 12, according to the size of the organization--is on the receiving end of everything that takes place. We use the following phrase in our shop: "Influence the influencers." These employees, from 4 to 12, representing the body of employees, are their influencers. If we can influence them, then they carry the word back. That means, in answer to your question, that we don't broadcast what takes place in the meeting to all employees. On the other hand, we do keep every level of management and supervision currently advised as to what takes place.

There have been circumstances when we felt management's point of view was not being adequately transmitted through the union channels of communication and we have communicated the situation directly. That might be where the union has taken a strike vote and we have reason to believe they mean it and that is serious. If there is any

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chance that all the employees are not clearly and adequately informed in such a situation, we go to them with a mimeographed letter of communication. However--and this is important because there are industrial leaders who hear about these mimeographed letters of communication from the manager to the employees and start using them only when they are in trouble--we would never use them in a tight or difficult situation if they had not been used months or years in advance in sharing with all the employees the problems and the progress of the business. Our plant managers send periodically, at their own discretion and judgment, mimeographed letters to all the employees, telling them the problems and the trials and tribulations, why such and such a line that was supposed to get under way the first of February was delayed and won't click, with management occasionally acknowledging some of its mistakes.

Is that clear?

QUESTION: Yes, sir.

QUESTION: I believe it is a policy of the armed forces that the contracting officers keep out of disputes between labor and management. On the other hand, I believe that contracting officers quite frequently hear labor's side, and the labor relations people from management come over and cry on his shoulder, too. Would you give us your thought as to what should be the attitude of contracting officers in the armed services in the case of a labor-management dispute?

MR. SPATES: I will ask you to accept these as my personal views in answer to that question, because it could be argued that I am not qualified to answer, that I should duck it and pass it to somebody else. However, my personal view is that if you and I were in a situation of that kind, and I was in a position where I was supposed to give you some advice, I would say that you should do everything you can to make your contribution to the reestablishment of satisfactory relations.

QUESTION: It has seemed to me that most people are more afraid of unemployment than anything else, and it is in that area that there is less confidence. Also, satisfactory employer-employee relationships are not likely to exist where there is a large labor turnover. Would you discuss that problem?

MR. SPATES: That is a question of very broad implications, but I will give you my point of view. It is that the honest thing to do, in the face of the continued existence of capitalism in this country, is to say that there is no complete solution to the problem of unemployment short of giving up all our freedom. I think those who proclaim that under a system of capitalism--and let us say that it is

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a highly reformed capitalism as contrasted to that of 20 years ago,-- they have a solution to the problem of unemployment are deceiving people. The only place where the problem of unemployment has really been solved is Russia--as you know how!

We must take our choice as to whether we want to live and work under "reformed capitalism" with its ups and downs of economic life resulting from the decisions we all make to buy or withhold our purchases from the market, or under a dictatorship which eliminates unemployment by eliminating freedom of choice and competition.

I have so much faith in the things I have been talking about that I am sure, if you are honest and straightforward and keep employees informed, then you have appealed to something in them which makes them willing to join with you sympathetically in these ups and downs of economic life inherent in capitalism, which is a system of free choice of buying and withholding purchases. These things I am talking about help everybody on the pay roll to keep his chin up even when the going gets tough. They promote within the people on our pay roll faith in the integrity, character, and moral standards of their leadership and provide the confidence to ride out the storm without drawing on what I referred to earlier as federalized paternalism.

QUESTION: You have not mentioned anything about the participation of labor in the profits of industry. Would you give us your comments on that question? I believe a couple of techniques have already been offered. One of them is called the Scanlon Plan.

MR. SPATES: That is a huge subject in itself, and it is a subject of which, right now, I am engaged in making a study because the chief executive officer of our company asked that it be done. I decided I was the one who would like to do it.

As a preliminary to my getting into this study, I attended, in New York, on the first and second of December, two full days of a conference of the Council of Profit Sharing Industries. As I sat there, I reminded myself that sometimes I had been called an evangelist, and I realized that, for two days, I was in the presence of a group of super evangelists. One after another, these fine people, representatives of many industries in the United States, arose and repeated to the audience that the answer to industrial peace lies in sharing the profits.

I am far from ready to render a report to our chief executive officer. I am just in the middle of this study. But here are the things that have impressed me so far. First, the leader of the business must believe in the philosophy of profit sharing. Then he goes about developing a plan--and there are no two alike--for the sharing of profits.

I cannot help but be impressed by these facts: The vast majority of companies in the United States with formal profit-sharing plans are small, under 500 employees, and they are privately owned, with either no stockholders, or the stock held by a very close group, board of directors or members of the family.

That seems to raise a question as to whether or not the philosophy of profit sharing is applicable to larger companies. I know some of you are thinking of a few large companies in the United States that do share profits, but the vast majority of them are small. It raises the question as to whether or not a company which is owned by tens of thousands of stockholders is one in which the philosophy of profit sharing should be applied.

I am in the process of asking some questions about it myself, but I did have this strong conviction as I listened to those speakers: All that they claim for profit sharing would be accomplished by sound principles of personnel administration without profit sharing. I am sure you would counter and say, "Well, suppose I dedicate myself to the application of sound principles of personnel administration. Would you then say that I should not have profit sharing?" And I would say, that I don't believe you need it to get the results which these people claim for profit sharing.

MR. MASERICK: Mr. Spates, on behalf of the Industrial College of the Armed Forces and our visitors, I thank you for a very stimulating and enlightening lecture this morning.

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