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PARTICIPATION OF TRADE ORGANIZATIONS IN A NATIONAL EMERGENCY

by

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Colonel Jordan, Gentlemen -

It seems to me that trade association men and the member leaders of trade associations have not thought about the problem we are discussing this morning as much as they should. Maybe there ought to be a more organized approach to such thought. I am certain that a good many trade association men have not thought about it, are not even aware of the problem with which they may be confronted, and have no idea of how they might be expected to function, what limits there ought to be and will be on their functioning; on the other hand, what opportunities for service there may be.

In trying to think about this problem, I have divided it into two major parts: first, the factors in a national emergency, and second, what the trade association can do about it.

First let us consider the factors in a national emergency. I suppose your problems are threefold. First materials, second manpower, and third organization and morale. First, materials - you have the problem of munitions: ammunition, parts, cases, guns and their accessories, etc. Then you have equipment. Maybe I am not using the same sort of terminology that you use, but I think of transport equipment by rail, air, water, highway. Then you have the problem of communication by radio, by telephone, etc. I suppose you have problems having to do with food and clothing supply, etc., and you have the problem of shelter. Probably there are all sorts of accessories, the scope of which is perhaps beyond my comprehension - the multitude of items that you require, almost a conspectus of everything that we use in civilian life. Beyond this we have a problem with which the trade association undoubtedly will have to deal, a problem of the materials required for the commercial and industrial life that will be in the nature of semi-war activities but which will maintain a good deal of the appearance of purely industrial, and civilian life. From your point of view it is a secondary line of defense activity, but to the business men and civilians it will appear an abnormal sort of civilian and industrial life, especially for the war industries themselves but even in producing for normal civilian needs. I mention this particularly because I would like you to be frank with me and I with you as to the problems which are likely to appear in a national emergency in which there may be the greatest difficulty of industry and government fully understanding of each other.

The longer I am in trade association work, as distinguished from the work of semi-professional societies like the American Management Association, the more acutely aware I become of the conflicts of interest, or what appear to be conflicts of interest, and the difficulty of arriving at mutual understanding between governmental agencies and people who approach affairs from a private business viewpoint, and I would like us to have a heart to heart talk about that problem. Therein lies my greatest difficulty, as a man who is employed by private industry but who tries to view his job as that of at least a semi-public servant. I do not know whether my own associates in the electrical manufacturing industry would understand my saying that, but then my background is a little peculiar, having been a college professor and in semi-public activities, and maybe I am just an abnormal sort of person in the kind of work I am doing.

You have the problem of personnel for military service and for civilian or accessory military service, and I think there are some real problems there on which in a time of emergency there will be grave differences of opinion that will have to be reconciled, and I hope reconciled on a basis of factual knowledge and information instead of just sheer pressure on either side, so far as practicable. You are going to need a vast increase in the strictly military service, the rank and file, and in the lower levels of command for both the Army and Navy, I suppose; and you are going to need also a great increase in the personnel of technical and engineering and specialized services. I suppose that requirement would be tremendous. You have your general structure prepared for it but you will have to make big additions to the enlisted personnel for that sort of work; and that is going to run afoul of the needs of industry and business, even the needs of industry in providing the Army and the Navy and other services with the necessary materials and equipment for prosecution of war. Beyond that, there is just the indispensable need for what continues to be civilian service, very much of it of course accessory to war purposes. You have the tremendous problem of organization and morale, not only of the war services but of the civilian population as well.

Now something about trade associations. Some of them are very old. They go back as much as a hundred years. There are a few, I should say perhaps ten or fifteen, that are between fifty and sixty years old. Quite a number of trade associations came into existence during the nineties and during the first decade of this century. Some of those trade associations are just not worthy of the name, as we think of them today. There was a period when about the only thing they thought was price and

other forms of competition. Thinking in terms of today's approach to competitive problems, I would blush to have ever been connected with one such. Some people left hurriedly for Europe and never came back. The things that were done by some industries years ago are simply almost unbelievable today.

The big growth in the trade associations has come since the war, and grew out of the war service committees. I suppose two or three hundred trade associations have grown out of the war service committees of World War days. Those committees brought the leaders of particular industries together for the first time. They found that their competitors did not have horns, as they thought they did. They found that the acquaintanceship as valuable and pleasant, and decided that they ought to facilitate getting together afterward.

During the twenties various legal decisions as to what trade associations could do occurred, which opened up important possibilities of trade association activities. I think I can briefly characterize those Supreme Court decisions by saying that they gave warrant for those trade association activities which helped the business man individually to do business more intelligently, with more knowledge and facts about the industry. They have not in any way authorized conspiracy and restraint of trade or anything but the most limited reasonable restraint of trade. That does not say that there are not some trade associations who do not go over the reservation and follow activities, either openly or surreptitiously, that they have no license to follow; and some of us feel that it is part of our responsibility to prevent that so far as we can without invading the responsibilities of other people.

The next big growth in trade associations occurred during the N.R.A. days. Literally hundreds were formed - national, local, and state - and their membership grew tremendously. The scope of trade association activities expanded. They undertook more; the industries demanded more of them. I am not referring to anything illegal or improper either. More people found out what they could get that was constructive out of the contacts and out of the activities of trade associations, and to a very much larger degree they have hung on to those services of the trade associations.

Suppose I say something briefly about what trade associations do. I have brought here, Colonel Jordan, some copies of a Nema program for 1938. This does not cover

all the activities that a trade association carries on, not by any means. It happens to be the program that currently fits our needs in the electrical manufacturing industry. It is revised every year, and should be in certain particulars. There are always changes occurring, shift of emphasis, etc. Perhaps I should summarize these activities under three main heads: defense activities for the industry or trade, business getting activities, and the better business activities. Let me give you some illustrations of these.

Defensive activities. Naturally I will refer to those with which I am familiar in our own industry. For instance, we are constantly confronted in our industry with state and municipal electrical legislation, electrical inspection ordinances and state laws, and laws either by states or municipalities for the control of what products may be sold in the community in certain lines. They are called "Sales Control" laws, prohibiting the sale of unsafe products. That is just an everlasting activity that apparently is growing. Back of it in many cases, in many sections of the country, are efforts to freeze the nature of the products to be sold in the community, which restricts the development and sale of new products, which makes more work for labor. Labor is often very shortsighted about it.

We have to be constantly on guard to prevent special rules and regulations being introduced that hamper the growth of the electrical industry, not only in the interests of the manufacturers but in the interests of the utilities, in the interests of the contractors, and even of the workers themselves and especially the public. Of course, there are constantly problems of Federal legislation. Here again we have our defensive activities. There are all sorts of customer organizations growing up. They try all sorts of things. They sometimes try to force on you consumer standards, ill considered and badly drawn. We ourselves are trying to offset that sort of thing by developing measurable consumer standards in terms of durability, performance, and composition as distinguished from these broad ideas of rating products on some grading that involves elements of opinion instead of fact. We fully recognize that the movement is under way and we propose to be there with the scientific and measurable set of standards rather than the opinion type of standards. The tariff is another illustration of defensive activities, or, again, boycotts. We are having the jolliest fight up in New York against a boycott by Local No. 3 of the Brotherhood of Electrical Workers against all products of certain product

lines not manufactured by members of Local No. 3. The Carpenters Union has been boycotting all C.I.O. made products, especially in the West; but this bunch go further. They not only boycott non-union made products and C.I.O. made products but they boycott Brotherhood of Electrical Workers products when made by locals other than Local No. 3 in New York. Of course, there is a beautiful hookup with the contractors, and a lot of companies just can not get their goods into New York City. There are a great many rackets that industries have to protect themselves against. There are exhibition rackets run for the profit of the exhibition managers, and I could go on giving you all sorts of attacks on the industry, which the association has to be constantly on the alert to prevent. Those are important. I do not find them the most interesting things to me. I would far rather devote my energies to something more positive, but there they are and they have to be dealt with.

Business getting activities. I will give you a few illustrations, again taken from our own case, but they are representative of what many trade organizations do. For instance, we have an electrical welding section, and it is engaged in selling the idea of electric welding, not any particular company's products, to various industries. It is a campaign in cooperative application engineering, and you will be interested to know that (of course, sales are off now a good deal) there has been about a four hundred per cent increase in the sales of welding electrodes in the last four years. The increased use of electric welding is enormous. Our group is constantly dramatizing these new and more complete applications for electric welding in the oil industry, the shipbuilding industry, the building of heavy machinery, including machine tools, and apparently with a great deal of success. Again, we have a range campaign this year, on which we are spending one hundred fifty thousand dollars - all the range manufacturers. Last year it was about twenty millions. The range is just starting to come into its own, the way refrigeration did about ten, thirteen, fifteen years ago. The sales curve has just been going up like this (demonstrating); it went along for many years like this. We have two problems there, things to get out of the way. One is the idea that the use of an electric range is very expensive. That used to be true and it still sticks in the minds of many people, but about five years ago a new heating element was developed and today an electric range will cook faster and will heat faster for cooking purposes than a gas range by a

little margin, and the cost of electric ranges has gone way down. We have to remove certain prejudices that were valid some years ago which no longer are valid. In all of this sort of business getting activity the essential thing is that it shall be idea selling as distinguished from product selling. I do not know whether I fully explain just what I mean by that, but the idea is to sell the idea of electric cookery, or a new process, as distinguished from the products of individual companies. We have another campaign having to do with adequate wiring, (which we in our industry finance), participated in, however, jointly by not only our own industry but the utilities, the contractors, and the wholesalers. We put up the national fund; the utilities and others spend perhaps ten or fifteen times as much in their local communities to sell the idea that in all new and, so far as practicable, in old housing and in commercial buildings the structure shall be adequately wired. By that we mean sufficient copper for adequate current-carrying capacity and sufficient outlets and switches for convenient use. As a matter of fact, we can prove that in a large percentage of today's homes you can actually pay for new installation of adequate wiring in about two years in the saving of the amount of cost of the current used through avoidance of voltage drop. We have a better light, better sight campaign, putting over the idea of adequate lighting to protect eyesight, and it includes, really as a basic requirement, adequate wiring. That is participated in by the Better Vision Institute, the utilities the manufacturers, the manufacturers of glasses, the doctors, oculists, etc. I could give any number of illustrations of that sort of thing.

Better business management activities. This gets closer, I think, to what you may be interested in. This is the thing that always interests me more than any other. I think some forty-eight out of our seventy-two groups have monthly or quarterly statistical data collected some of them very elaborate. They never go back on what they have started and they usually keep on demanding more and more statistics for their own guidance in the conduct of their industry. I do not think any group in our own industry has ever gone back on a statistical activity. After they have once started they have always kept on expanding and being improved. Then there are uniform accounting, costing, and more recently budgeting activities, - designed for guidance of individual companies in the operations of their own business.

I used to be for some years in the American Management Association, where I came in contact, for the most part, with the larger companies, the more progressively managed companies. I think it is an almost universal fact that the people who know the most and are the most progressive are those who want to learn still more and are most ready to learn from others and exchange information with others. When you get into a trade association, however, you get an entirely different picture. You have quite a number of the same type of company that is aggressive in everything new, but you ought to see the remainder of them. I have been completely amazed at the lack of good business management in many of the companies in our own industry. The lack of knowledge about labor relations, for instance, is very disconcerting. It is terrible. You will be confronted with that problem in the midst of a war in connection with getting materials because, in my opinion, there will be in the midst of a war a great increase in unionization and unless price control is very rigidly enforced you will have a rising cost of living and complaints of workers on which union leaders can feed. There will be rising wage levels, and the union leaders will be able to demonstrate that they can get results. Maybe the rising wage levels would have occurred anyway but they can facilitate getting them, or at least appear to do so. I would say that out of three hundred and sixty members there are not over one hundred twenty-five that, by any stretch of imagination, I could say are progressively managed. I do not believe I could conscientiously say more than fifty. I am not saying that they are badly managed. There are some very badly managed. I mentioned uniform accounting and costing. Some of their accounting records! - well, you would never sign a contract to a cost plus ten per cent with them without going in there and practically taking over their books yourselves. They haven't any records that would warrant your signing a cost-plus with them. Some of them have the most amazing ignorance of labor and employee relations.

Standardization. Another activity in which we have, of course, been engaged for many years, and many other associations are, has to do with standardization of products in the interest of mass production, mass distribution; keeping down the cost of inventories, cost of selling, cost of warehousing, etc. I view that essentially as a problem in management rather than a problem in engineering - an engineering process with a management purpose.

Insurance activities of trade associations. We have been recently trying to educate our members in the intelligent handling of insurance problems. They often just get thoroughly

rocked by brokers. The ignorance about insurance buying in a great proportion of American business is terrible because the average insurance contract is a highly technical thing and it takes a very well informed man to know enough about it.

Public relations and advertising. We are constantly having conferences devoted to presenting to the members in conference recent developments, progressive methods of handling their advertising, their public relations; and a good many trade associations go on into the field of production methods. That gives you a general field of activity which I regard as one of the positive, constructive types of activities.

Let me say something about the tests of a trade association, because I think you gentlemen are going to be confronted with the problem of saying whether or not you can properly deal in a national emergency with a particular trade association. Do not take all trade associations as of equal merit. They are not. Some of them are not worthy of your confidence or your cooperation. Trade association men, or such an institution as the American Trade Association Executives, have no power or right to try to separate the sheep from the goats. All we can try to do is to build up the ethical standards of the trade association men as they relate themselves to their jobs, as they relate themselves to their members, and they relate themselves to the public and the public interest. You are going to have to apply some acid tests, it seems to me, and some of these tests do not lend themselves exactly to very accurate measurement. What are some of the tests that we can think about? One of them is the degree of representation of the industry by numbers and by volume. Frankly, in our own organization, the seventy-two product groups or sections as we call them, range from, I think, a hundred per cent of the industry by number and volume down to maybe forty or forty-five per cent. In the latter case, there may be some peculiar condition where somebody is irritated and pulls out, does not want to play for a while. In other cases it is because there may be six, seven, ten, or a dozen fairly large companies in a field, such as flexible cord, and then literally dozens of small "hole-in-the-wall" concerns that might not be of much concern to you at all; fellows who never go to a meeting; even ten, fifteen, or twenty-five dollars to travel to a meeting would be just too much money. You ought to see some of them! It has done me an awful lot of good in the last four years to change from visiting the Eastman Kodak, Swift and Company, Cincinnati Milling Machine Company, and that type of concern to getting out on the highways and byways and

visiting a fellow who employs perhaps six people in his factory. You have got to consider this degree of representation. They are representative of all the important and a large proportion of the members of the association. Of course, you will find some amazing things. You will find, for instance, that probably thirty per cent of the members of an industry do ninety per cent of the volume of business, and you will find that percentage will run through nearly every industry. That would not be true of machine tools; but there are a lot of small hangers on, and they seem to make money most of the time.

Second, and this is getting at an intangible, you will have to consider the democratic nature of the governing body; and that is not just that there is a large board. We happen to have thirty-six but I would be just as satisfied if it were forty-five. We still have an executive committee within that. Beyond whether it is representative in order to make it democratic is whether it is democratic in spirit. It makes an awful lot of difference. I was told when I went to the National Electrical Manufacturers just about four years ago that one of my jobs (right in the Government in N.R.A. and I was told the same thing by members of the industry) was to devise ways and means of creating not only a more democratic setup but a more democratic spirit, a more democratic feeling; and there was a need. I think I have accomplished something. You have to do that sort of thing slowly and by indirection rather than too directly. It requires a lot of patience. I have been out in the last couple of weeks meeting with local groups at luncheon meetings to see what kicks I could get, to get the feel of the situation. There is a conviction in our own association that the attitude is sound and right. I hope that is true. It is something you can get only by feeling.

Third, does a trade association have a known program? Here I am riding a hobby. This is the form it takes in our case (Nema). It does not have to be this big; it could be on one page. Do they know where they are going? What they are going to do this year? Has that been approved by a responsible body? In our case it is approved not only by our Board of Governors but it is really suggested to our membership by the Board of Governors; and adopted by the memberships; and we take a day each year to go through that. Sometimes they add things and sometimes they take things out, as they did last October in Chicago. From my point of view, a written program formally adopted is one kind of evidence that you have a trade association to deal with that is responsible, understanding,

well organized, and that has a definite objective.

Another thing is effective committee organization and effective committee service. I am going to speak of two things there. We have, I think, something like five or six hundred people on Nema committees, or representing Nema on committees of other organizations such as American standards of American society for testing materials, etc. Existence of committees is not in itself enough. They ought to be effective, and when it comes to effectiveness of committee work, that depends, of course on the personnel of the committee, whether they are representative, whether they have a defined job. When I went to Nema I could not tell what the scope and functions of any of the committees were with the exception of a couple. Today we have all committee scopes carefully written and approved by the board, which prevents the committees from doing more than they ought to. The fact that committee scopes and functions are carefully written and properly approved is one of the good tests as to whether the committee organization is properly set up and whether it is functioning.

Adequate budget. There are a lot of trade associations, I am afraid too many, that are very poorly financed. I sometimes have occasion to speak to trade association groups at their annual meetings, and one of the things that I have often said to trade associations is that no industry really deserves a trade association unless it will include five thousand dollars a year in the budget for the traveling expense of the manager. In other words, there is no use having a trade association where the manager just sits on the chair in New York or Chicago or Washington. You can not know what the needs of the industry are by parking yourself in an office.

Another test is the adequacy and competency of a staff. I put that last out of some degree of modesty, I hope, but it is important and it varies. To some it is just a job with a salary. I am afraid there are some men who just do not have enough to do. I am sure of it because I have heard some complaint about it - they just do not have enough to do. But for the most part trade association men are a hardworking bunch and a conscientious bunch. Over and over again the last few months I have heard my associates say: "Do you find, as I do, that you are having to work harder than ever?" My answer is "Yes", and I know it is yes for a great many trade association men today. Since N.R.A. is over, industries are putting more demands on the trade associations and on the staff than they ever did before. In our own case I know that my own associates tell

me they feel that more is expected of them of intelligent thinking and of constructive work; and more reliance and confidence is placed on them than ever before. They used to feel that they were treated as a bunch of clerks, just hired boys, but now the industry seem to respect them and rely on their judgment.

This is something you will have to judge for yourselves, maybe you can get help on it, but if some of you were to come to me in New York and ask what I think of so and so I would probably say of a certain man: "He is just one of the finest men you could rely on". Others I would not know enough about. Here and there I would say: "No, you just can not trust that fellow at all, at least I would not." You can find men who can give you a pretty good estimate of whether a man is trustworthy or not, whether his tongue hargs in the middle, or whether he in rare instances may be actually dishonest.

Beyond those more generally acknowledged things, does the trade association man who is in charge regard himself as a public servant? Has he a sense of responsibility to the larger public beyond his own industry? Can he lead the industry along similar lines? Of course, he is not a czar but I am certain that over a period of time the right kind of man can do a great deal. What can we do to help? In the first place, in most cases you can count on the trade association as a medium of contact in communication with the industry. Probably they call special meetings for you if you want them to in order to get over your story of what is required in the midst of a national emergency. Secondly, they can help you secure the cooperation of individual members of the industry. I suppose that will be needed to some extent. We can not count on everybody being just naturally patriotic and self sacrificing, but I am sure, from what experience I have had, that you can certainly use (I do not mean coercion) education and the proper kind of persuasion to help bring them into line. Third, as was indicated, they can help provide a war service committee. I do not know what that is going to mean. I know you can not get a Mr. Swope or a Mr. Robertson to abandon his office in New York or Pittsburgh and come down here and spend all of his time. You do not want him to do that. He is too valuable where he is, in the midst of a national emergency. I think probably what will happen will be that in a good many cases you will expect the trade association to provide, depending on the situation, one, two, or three men to come to Washington, live here, have an office here, and be your immediate point of

contact. Whether they would constitute the war service committee for an industry I am not quite sure; that is, men employed by the industry through the trade association. That might be one solution. Or, it might be that they would provide a service staff or war service committee that would be called down here from time to time and which would function for the war service committee in the absence of those men from Washington. I feel sure of this: that you ought to have the principals in proper companies participate in the war service committee and be here from time to time when required. Maybe you will have to rely in some cases on the employed people who are employed at your request and made available here in Washington, or elsewhere as the occasion may require. Fourth, I believe the trade association can and would be glad to be helpful in advising on sources of supply for requirements. I doubt very much if you can settle the thing satisfactorily all alone. I used the term "advisory" on purpose. I hope never again to be in a situation such as we had in N.R.A. days, when trade associations thought they had delegated to them administrative power. I hope the Army and the Navy keep the power that belongs to them and do not delegate it. I hope you keep any activity that you ask of a trade association in an advisory status and not a delegated status, because after all the power must belong with the Government. I know there are a lot of trade association men who disagree with me, but frankly I never again want to be holding the bag of apparent responsibility without the power to execute. That is where we were in the N.R.A. days. In the last four or five months of N.R.A. a lot of us knew it but did not dare to say so or N.R.A. would have blown up completely earlier than it did.

We can help you secure required specialized personnel. I suppose it is not going to be an easy problem to get the required specialized personnel without leaving a hole so serious from a supply viewpoint as to cause more damage than the benefit you gain from getting a man into the recruited forces. We can advise on product standards and product specifications. That would be especially true in regard to the products that we would think of as normal products for civilian use. We can cooperate a great deal in the labor relations field. I am firmly convinced that if we have another war you are going to see far more trade organization than we have seen before, and there will be inexperienced trade union leaders and an undisciplined trade union personnel. We will have a degree of labor problems such as we did not have even in the last war. I think the trade associations, at least a great many of them, can help a great deal in meeting those problems. I have said that we can help advise on priorities. Perhaps I should frankly say that maybe we will have to oppose you somewhat on priorities -- I hope it will be somewhere nearer the term "advise". I suppose we can all make mistakes, including

trade association executives and Army officers. We are all human. There can be honest differences of opinion. I am sure you will have trade associations come to Washington in the war period making claims and demands for the supposed benefit of the industry that are just cockeyed, that are selfish, unpatriotic, and represent an inadequate conception of the task ahead. You will have men come down here with requests, demands, that may be perfectly just but they will make their demands in a fashion to cause you to want to refuse them. They may have good facts and good reasons but will present them so badly that they will not get the consiocration they ought to get. I can not blame you. You will probably have men come down here with a plausible story, who act like gentlemen in presenting their reasons, who will get more than they ought to get. We all get more, I believe, with sugar than with vinegar. People with balanced judgment will come down here, who can see your problem, who can present factual evidence regarding the industry and its problems, regarding how it can help; and let us hope that the majority, all for that matter, will be of the latter character. I do not know now you are going to cope with all these variations you will get. I think you will have to face them. I hope you will set up some tentative standards as to your tests as to whether a trade association or any sort of organized industry group merits your confidence, your cooperation, or not.

There is another subject I do not know what to think about and that is the subject of price control. It is a very complicated one. If the civilian population, with rising incomes, high wages, due to the fact that any surplus has been drained off for war service and there is a dearth of labor, is put in a position to bid against the Government for the supplies that everybody seems to want you are going to get a rising price level. If we finance a war by millions and billions of bond issues, as we did in the last war, you are going to get inflation, a rising price level, aggravated by the devaluation of the dollar. Do you remember the pronouncement issued in 1917 by a group of forty or fifty economists declaring that America's participation in the last war should have been financed out of taxation instead of out of bond issues? I did then and I still do heartily concur in that view. The alternative means rising price levels, rising wages; it means the Government bidding against the populus for supplies. I believe the legislation prepared looks in that direction. You are going to have a very difficult problem. A lot of people are in favor of price control today. They would like it under civilian conditions. I suppose we all like order in any sphere of

life and I sometimes think that our current political and economic conflicts, not only in business but in politics and not only here but abroad, are the age old conflict between liberty and order. When you get into this subject of price control, into a fair price, my what a basket of chipmunks it opens up! It opens up the question of a fair wage, it opens up the question of fair salaries; it opens up the question of fair valuation of property, equipment. There are just endless ramifications when you get into the subject of a fair price for goods or services, and it seems to me that all over the world efforts are being made to find an answer to the question of a fair price. It all seems to involve some sort of restraint on free competition in the market place, and as soon as you get into something beyond the supposed free competition, and I will grant you that free competition does not produce good results in every sector, you certainly do open up a basket of chipmunks of economic, managerial, accounting, valuation, and, if you like, ethical problems that certainly give cause for a lot of concern.

I am afraid I have taken too much time. If there are now any questions I shall be glad to try to answer them.