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PARTICIPATION OF TRADE ORGANIZATIONS IN A NATIONAL EMERGENCY
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This is the third time that I have been here, and I don't know whether the invitation is a compliment or what I have to say has just been satisfying. But by the third time one ought to learn to say no. However, being assured that this would not be the same group as in previous years, I felt I could come back. After all, one wears out his welcome with not many new ideas in a period of a year.

I have been asked to talk about the participation of trade associations in a national emergency. The first time I came I had a feeling of almost exciting anticipation of something that was imminent, and each year I come it seems more imminent, and now it even seems imminent by weeks instead of a few months, so that what you are doing, what we are considering, may be of very vital importance all too soon.

Let us consider first some of the factors in a national emergency, and secondly and chiefly, what the trade association can do about it. I suppose the major factors in a national emergency are materials, man power, and organization and morale. I don't need to go into the question of materials at length. We all have our own classification. I can think of the materials which our industry might help provide, but you are not here to hear me talk about the materials that the electrical manufacturing industry may provide. I have been through the Planning Branch and I have asked for the name of this company and the other company and I find that you have the records all there. I couldn't ask for one that wasn't listed. I look at the cards and I see that the companies are already scheduled as to what they will be expected to do. In other words, you seem to have it planned down to the last decimal point. I suppose some of our companies, as in the last war, will be providing munitions, guns and accessories, and they will be providing all sorts of equipment for transport by air and rail, water and highway. They will be providing all sorts of communication equipment, and of course also equipment for the commissary department, all sorts of cooking, lighting, and heating equipment and building materials for cantonments, and so on. We cannot forget that any industry or all industry combined has to provide an industrial, commercial or civilian secondary line of defense or line of attack. I suppose it is in this latter field that the differences of opinion between the government and business men will arise as they did in the last war, and I remember them all too well, and on which the greatest degree of effort must be brought to bear to get them

in the government, the Army and Navy, and elsewhere, and in business, to think of the problem with which we will be confronted in fact rather than in selfish terms. Business men will be finding their ranks depleted by recruiting of men for military service, and will be wondering how they are ever going to get along with their depleted personnel, especially at key points.

Now, what is a trade association? What can it do? What reason have you to expect it to do anything constructive? What tests can you apply to any given organization? I think you will have to apply tests for you can't take it for granted that they are all alike, of equal competence, of equal integrity.

Let me say something first about trade associations and what they do. There are a few trade associations in the United States a hundred years old. Quite a lot of them are fifty years old. A lot of them are twenty-five to thirty years old, and there are hundreds that came into existence during the last war or during the decade of the 20's, and more particularly during the late famous N.R.A., or infamous depending on the point of view. A great many of them grew out of the war service committees that were set up back in 1917-18. Business men came together for service on these committees, which, if I remember rightly, were appointed by the government but on nomination of the Chamber of Commerce of the United States. They were business men, who didn't know each other, who thought of each other as brutal competitors with rather dirty business ethics, that came together and found that respectively they didn't have horns, that maybe they could be trusted, that they had good qualities along with some bad, as we all undoubtedly have, and decided after it was all over that they had gained a lot in the exchange of experience, that there were things on which they could properly cooperate and so they just decided to carry on and thus set up trade associations.

Among other things that happened during the 20's were a number of Supreme Court decisions which helped to clarify what trade associations might properly do, especially in the realm of collecting, collating, summarizing and distributing information about business, as a result of which business men can do business more intelligently. There is a lot in that last phrase, especially as regards the law. By the way, there are things that I find Government officials, I don't say in the Army, think they would like to have business men do which, according to the law, they just cannot do without getting into trouble. I suppose it is not surprising that officials in particular branches of the Government do not know more about what is proper for a group of business men to do cooperatively

than the average run of business men know themselves. It is a very complicated field of law, on which I would always insist on the best sort of legal counsel, not just a lawyer. Sometimes I find Government officials a little disappointed that business men aren't immediately willing to do something they want, and I find it necessary to explain, sometimes with the help of counsel, what difficulties we would be faced with if we did so, much as we might regret not being able to do it, even to the advantage of business itself if it were legal.

What do trade associations do? I sent Colonel Miles a copy of the report which is published by NEIA, as we call it, "What NEIA Will Do in 1939". This isn't exactly typical. I don't know of any other organization which has quite as elaborate a program as this or one that explains in as great detail just what it is a particular trade association does, but we have about eighty-eight projects listed in the book. There are more than I like. I wish we had fewer things to do so that we could do them more intelligently and more intensively. I am not going to outline those particular activities, although I will illustrate from them, and I am not going to mention them in just the same order in which they appear in the book.

I want to classify what trade associations in general do under three main classes. First, there is what I call the defensive activities, next is the defensive for the industry, second, their business getting activities, and third, their better business management activities. I am assuming that all of these activities are perfectly proper and legal under the Anti-Trust laws.

Some of the defensive activities I will illustrate. The first has to do with state and municipal legislation, of which there is plenty nowadays. In the case of our own industry all sorts of ordinances and state laws are being introduced that are adverse to the interests, not only of our own industry but also to the utilities, the public, and in some respects and in the long run, adverse to the interests of contractors and organized labor in the electrical field. The particular kinds of ordinances and state laws that I refer to are electrical inspection laws or ordinances, the second, electrical contractor licensing laws, and third, so called sales control laws and ordinances. All of these can be so drafted and so administered as to be good for not only the public but the electrical industry as a whole. They can also be so drafted and so administered as to constitute a good deal of a racket. For instance, a contractor licensing law can be so set up and so administered that it very definitely limits the number of electrical contractors who can do business in an area, the

number who can get into the business, and thus permit a practical monopoly for those who would do electrical contracting and who can get licenses. I know of one state in which they suddenly proposed licenses of a thousand dollars and where if a contractor wanted to do business in more than one community he would have to pay a second license fee for each community or municipality in which he wanted to do business. You can see what that amounts to. It is simply an anti-carpet bag law or ordinance. It is confining the contracting business to those who are located in the particular municipality and maybe the number is quite small, and while I believe the great majority of businessmen want to obey the law, now and again a small group will decide that there is something they can do behind the scenes that will improve their profits, particularly if they happened to be sided up with organized labor. There is a temptation in this country today to think that if you have signed a joint agreement with organized labor the Government will overlook some other phases of the law. You can see what that means to the public, you can see what it means to manufacturers and to the utilities, to have an unnatural barrier to the distribution and installation of products of our industry.

I could go on and illustrate in many ways. In the automobile industry there has been recently a flood of laws for the licensing of automobile dealers to restrict the number of people who can go into the business of selling automobiles. I can give you any number of illustrations, affecting all sorts of industries, of bills being introduced that are really in the nature of rackets.

In the case of electrical sales control ordinances, the temptation is to require that all products shall be approved by a local laboratory, and you can imagine what would happen to the future of the electrical industry if manufacturers had to pay license and test fees to any number of cities around the country. For instance, on electric range he would pay a test fee for each of, say, a hundred cities, and the test fee I couldn't imagine would be less than twenty-five dollars to fifty dollars, and each laboratory in all the cities would tend to set up a different standard to which it would test and a different method of test, with the net result that the manufacturers would have all sorts of variations from a standard product for each community. It could just ruin the mass production of electric ranges, and ultimately not only the manufacturers would suffer but the utilities would not gain the increased volume of business that comes from the installation of electric ranges, and of course the public would pay in the form of higher prices, higher costs of

manufacture, distribution, warehousing, installation, and so on. Most industries are everlastingly confronted with that sort of thing. I call the efforts to combat it a defensive activity.

We realize that there is plenty of Federal legislation, bills introduced that are never expected to pass but are introduced for reading back home, and yet one never knows just what may slip by. Larger industries must forever keep on the lookout for bills that are introduced, grinding somebody's axe, which if not protested may get by in an unwitting moment. A bill was recently introduced to provide for five million dollars to be distributed by the National Bureau of Standards, not for use by the National Bureau of Standards but to be distributed by it to various states, which in turn would set up laboratories for the preparation of standards and for testing of certain products consumed by the public, for instance, products of canneries, electrical products, and so on. That is just one of those glaring cases of a bid for political support from the various states. It is a hand-out or "grant-in-aid" to the states, and it opens up the door to the setting up of different standards by those different state laboratories, if established, and different methods of test. The temptation to support such a thing that will bring money from the Federal Government to a state is tremendous, but what it could do to mass production of products in various industries is simply astounding.

There are all sorts of consumer organizations in existence today. The number seems to grow constantly. These carry on so-called consumer education. It is just as certain as can be that consumer education and the establishment of consumer standards, that is, standards by which the customer can buy with assurance and know that he is getting what he is supposed to be getting, is coming. It is growing and it will develop into something well conducted, I hope. But a lot of these consumer movements are lead by old busy bodies who live in the realm of opinion, rather than of scientific fact, who are inclined to provide ratings, and do provide ratings of different products, in a fashion which makes use of opinion as distinguished from measurement of known measurable things. The business men who are alive to this problem are very much concerned that whatever does develop in the way of consumer standards to help the customer, the ultimate buyer, shall be standards based on methods of measurement which are valid and shall not simply be based upon qualitative opinion. That is a thing that is constantly being watched.

Or again, there are tariff activities, another defensive activity. Whatever we may think about the tariff, I am one who has been fairly sympathetic to Secretary Hall's reciprocal trade agreement program. Parts of our industry have been supposedly hurt and others have been benefited, the branches of the industry being benefited very different usually from those that think they have been hurt. But this certainly is true, that any industry has to keep on its toes to provide Government, either Congress or the Reciprocal Trade Agreement Committee, with all the information they can command that is usable. We have had in our own experience requests from Government agencies, dealing with reciprocal trade agreements for all the information we can provide, and we cooperated actively.

Next, boycott. We have a classic case. Lumber manufacturers are suffering for the same thing because carpenters in some areas are refusing to make any use of lumber cut by C.I.O. workmen. In our case, Local No. 3 in New York, and locals elsewhere too, but I will take the worst case, Local No. 3 of the Brotherhood of Electrical Workers in New York is refusing to install certain kinds of electrical products when not made or at least assembled by members of Local No. 3 in New York City. They even refused to install products made by other locals in Cleveland or St. Louis, other locals of the Brotherhood of Electrical Workers, and they refuse, of course, to install the products of non-union workers, made in non-unionized shops, and they have refused to install the products of shops which have been organized by the C.I.O. In other communities the boycotting isn't quite so drastic. It may be a boycott of all C.I.O. made products and all non-union made products, though not a boycott of products made by Brotherhood workers in other locals. The thing has been going on for about five or six years, a lawsuit has been going on about it for about two years. The union in hearings swear by all that is holy that they don't boycott, when we know, as contractors tell us, and even workers and union officials have said, except when they get in court, and then they deny it by all that is holy. Now, what does a boycott like that mean? It just means a barrier to interstate commerce. It is a complete violation of anti-trust laws, and if that principle went on, it just means that nobody except the union worker can get a job. It means that our products of Cleveland can't be sold across local lines, and where would we be? Our much boasted domestic commerce spread over a hundred and thirty million people would be just destroyed, and we would be going back to a situation worse than the economic barriers that exist in Europe.

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Among trade associations there are any number of employer groups, this is particularly true of local employer trade associations, which conspire with unions to keep everybody out of competition, to maintain a price level, to insist on the goods flowing through certain channels, not being sold direct, for instance, to the customer. Some of those rackets simply get pretty tough, physically tough, for employers.

But there are all sorts of other racket rackets too. For instance, the business of trade shows is more or less of a racket. Customer industries will run up a trade show. I heard just the other day of one trade show that nets a profit each year of about fifty thousand dollars. The regular membership income of that trade association that puts on the show amounts to about fifty-five thousand dollars. In other words, the trade association representing the users of the materials and machinery, and so on, just shakes down the vendors for an additional fifty thousand dollars a year. There are any number of so-called customer industry conducted shows which shake down the vendors of equipment and supplies to help support the trade association. For instance, electrical manufacturers are particularly vulnerable because they sell motors and generators and industrial control, wiring materials, and so on, into just literally hundreds of other industries, and every industry that can run up a show can shake down General Electric, Westinghouse and others for a hundred, two hundred, or three hundred dollars for a show, and they have to go into it or they will be boycotted by the members of the trade running the show. There are just all sorts of things of that type that are going on. I have already in my comments adversely commented on some trade associations. I might just as well frankly admit that there are some trade associations that ought not to exist. They are rackets, they are linked up with related rackets, and I wish that something could be done about it. I don't think the Government has been able to do enough about it to date. I would say that that is particularly true of local trade associations. Perhaps it is partly because in the first place they often do not get legal counsel worthy of the name if any, and in the second place some of them do not have competent managers, they just get somebody who needs a job and perhaps he will do anything they want him to do, after all, he thinks he has to eat tomorrow. In the third place, the average local trade association membership outside of the department store field, is made up of pretty small people, without very clear ideas about the law or good economics.

Let us turn to a second class of trade association activity. That is business getting for the industry. I don't mean going out and making actual sales, although that has been done. It might be perfectly possible, for instance, for a trade association representing welding machine and electrode manufacturers to go out and do a job of convincing the school board at Worcester, Massachusetts, that they ought to put up in the new school building a welded steel structure instead of a riveted steel structure, or sell the City of New York on the idea that in this new hospital that is going up they ought to have a welded steel structure. Perhaps somebody is putting up a new office building right next to a hospital, and perhaps the idea should be sold to them that it ought to be a welded structure, especially in view of proximity to the hospital. Such would not be selling the product of any given company but selling the idea of a welded structure in place of a riveted structure, a perfectly legitimate activity.

In our own case we have quite a number of such activities, welding promotion or getting the acceptance of electric welding is one of them. It is amazing what progress it has made. I saw figures the other day that indicated about a four hundred percent increase in the sale of welding electrodes in the last four years. You probably know that there are hardly any ships being built any more that aren't welded bottoms, either merchant ships or naval. In the oil industry and the gasoline industry, the new technical processes that have been made possible by the use of welded tanks and other welded structures which will stand higher pressures have resulted in a reduction of the cost of gasoline by about five cents a gallon, which we would all be aware of if it weren't for the state and federal gasoline taxes.

We have an electric range program. This year we are spending over 70,000 on the promotion of the idea of electric cookery. Last year we spent about 100,000. You will see currently and for some little time advertisements on electric cookery in the Saturday Evening Post. There are two main things to get out of the public's head. The first is that electric cookery is costly. That dates back to the days when electric rates were higher, when there were no so-called promotional rates. Today you can cook with electricity as cheaply as with gas, in most sections of the country, although not all. The second idea that we are trying to get out of the public's head is that electric cooking is slow. That dates back to the days of twenty years ago when perhaps it took a half hour to heat up an electric range. Today you can heat a pot of water on an electric stove just as quickly as you can with gas. The reason is the development of new heating elements

about seven years ago, which just revolutionized electric cookery. We have two prejudices in the public's mind. We are not trying to sell the products of any individual company but merely selling the idea of electric cookery and trying to get two false ideas out of the public's mind. I might add, too that part of the program is aimed at the utilities, with a view to getting some of them to accept the idea of a promotional rate for electric current for cooking purposes which will make it economically feasible for the customer.

Another type of activity which we ourselves are pushing is adequate wiring. I suppose the homes that ninety-nine percent of us live in, including myself, are inadequately wired. You don't have enough outlets around the baseboard. If you move your furniture you find you have to get some additional cord in order to place the lamps or the radio where you want them. You find that there isn't enough copper in the home. If you put too many appliances on a circuit at a given time, you find you get very poor results. You have seen the lights flicker when you put on an additional appliance of some sort. In addition to that, you don't have the switches at the proper place, they are inconvenient. We are trying to get into the public's mind the idea that they must insist on adequate copper to carry the current efficiently, enough convenient switches, and convenient outlets — idea selling again. I might explain in passing that estimates I have seen are to the effect that the actual saving in current from having adequate wiring in the home will pay for the extra costs of a good wiring installation in two years. Either you can't use enough of the appliances and devices that you want to use, or you are paying too much for current because of the voltage drop if you don't have adequate wiring.

Another activity that we are into has to do with industrial electrification. There again it is idea selling rather than particular product selling. Its aim is to sell the idea of the cost reduction values of motorization, adequate wiring and proper industrial lighting. We are in the midst now of preparing a plan. That is what we do when we embark on a new activity, the preparation of a very careful plan in which we have the cooperation of the contractors, the utilities, the wholesalers and the secretaries of the local electric leagues so that when we do embark upon a program that perhaps costs us fifty or sixty thousand dollars a year we are not going to waste fifty or sixty thousand dollars experimenting with it. We are going to have something that has been pretty well tested so that we know it is going to be effective before we start in on a large scale.

In a good many cases two or more trade associations cooperate with each other. The most effective programs of that sort which are being carried on are programs in which benefit to a given industry is secondary. There has to be a benefit to the public or to the customer. The general public may be the customer or the customer may be a particular industry. There has to be a benefit to the customer or there is no benefit to the industry that is paying for such an educational and promotional activity. That is the basic principle on which we operate, and on which I think everybody ought to operate. It must be essentially educational or it is not effective sales promotion.

Let me turn to the next class of activities, better business management. I would like to preface what I say on this by saying that I spent eleven years as Managing Director of the American Management Association, and in that period I came in touch with the larger companies, not all of them because they are not all well managed, but I came in touch with the better managed large and medium-sized companies, and occasionally some small companies. I had a selected group with which to work, and I am acutely aware of it now, even in the electrical manufacturing industry. My friends tell me that the electrical manufacturing industry is a progressive industry. I want to say this, that when I joined NEMA five years ago I got an eye-opener, or I have gotten it since. In our industry we have about twelve hundred to thirteen hundred different units. Of those, about three hundred and fifty are members of NEA. I would say that we could add the hundred next largest companies to our membership, and we would add 5 percent to our present sales volume of our present members. Our three hundred and fifty members cover about 85 percent of the dollar value of the industry, and of those three hundred and fifty companies I think we could lose at least one hundred and fifty without losing 10 percent of our present 85 percent. This is typical of nearly all industries. The variation in the quality of management within even as progressive an industry, as I think the electrical manufacturing industry is, is simply amazing. It has been an eye-opener to me, as I have one barnstorming to visit them. It is good for me. I used to have a rule in my U.S.A. days of getting west of the Mississippi for at least two weeks of the year in order to keep a proper perspective of what kind of a country this is in which we live. You can't live and do business under the shadow of, say, the American Telephone and Telegraph Building or the Chrysler Building, and keep a proper perspective on what kind of an economic country this is. As I say, I have gone out to visit some of our members, and I would like to give you two or three illustrations.

Here is a little company which I dropped in on one day. Outside was the president's big Cadillac, and the vice president and chief engineer had a big Buick outside. I went into the president's office. He was sitting in the corner at a desk up against the wall. His accountant was at one of these old-fashioned accountants' desks, up on a high stool. There was an old-fashioned box stove in another corner, and a file or two and a chair where I could sit down. I should say the room was about 12 by 12. Back of it was the engineering office, a room about the same size, where there was a draftsman and the vice president in charge of engineering. Back of that was a factory, the whole space of which was probably not more than twice as large as the two front rooms. Yet the president and the vice president were driving respectively a big Cadillac and a big Buick. I don't think they employed more than twenty-five people altogether. They have a specialty and just have no competition. They probably get a very tidy price for their specialty, do a little business in the open competitive market, but not enough so that the company has any comprehension of costs and of modern marketing methods or of industrial relations and personnel problems than the man in the moon.

I remember visiting another company in the midwest one day. I figured it must be an 3 o'clock town, and I was out at the factory about ten minutes after 3. But the work harder, I find, in New York and probably in Washington, than they do in some of these small cities. The tempo is faster and harder. The manager showed up about 10 30. I cooled my heels meantime. He showed up in an old Buick car, the vintage of about 1925. In the office he had old box files, which you have seen that are put up on shelves. He had a calendar that was 10 years old. He took me out to the factory, and I was a little surprised when he offered to. I had never seen such a mess, and you apparently that company makes money. He had some patents, specialties. But what you could do to the factory!

I was telling Colonel Miles about the factory of the company of a prominent member of IREMA, an exceedingly able man in most respects. I know that he could master the production problem of his company and do it superlatively, but he just hasn't tackled that sector of his business. He employs about five hundred men. One of my associates, who is a much better judge of a factory than I am and a friend of Colonel Miles, was talking with me the other day about that factory we had both been through. There is a factory in which you could rip at least 25 percent out of the factory costs, if you would just go at it, I am sure. And that is one of the fairly prominent companies in the electrical manufacturing industry. My observation is that management is not uniformly

good in almost any company, I don't care how big, but a thing like that factory ought to stack up like a sore thumb.

The need is for management education carried on by trade associations with members of the industry who get such education from no other source. They don't get it from the American Management Association or any other such organization. The need is simply tremendous, and I would, if I could in MEA go much farther than we have done in this direction.

Let me give you a few illustrations of what can be done, and these do not necessarily touch some of the worst problems. Some of the worst problems start right with the top. Can you imagine what a business which is prevaillingly controlled by the inventor-owner type of man needs? I think you can. A fellow who is an inventor first is president of a company. Do you think that company gets the quality of management it should? I have seen those men passing out of our electrical manufacturing industry one after another, and with an increasing pace in the last five years. In our industry we are going to have an entire new bunch of leaders inside of ten years because the old original inventor-owner manager is rapidly disappearing. We are beginning our second fifty years as an industry, and I personally am hoping that with this new type of industry there is going to be more and more interest in modern management. Business statistics of all kinds collected by a trade association summarized and distributed are one of the things that can be brought to bear upon the management situation in companies. Another is uniform accounting and costing, and particularly nowadays we need more attention on accounting and costing for sales activities. Most business men don't know anything about the detailed breakdown of their sales costs. A prominent member of the industry, whose name I am sure you would all know, was talking to me about the problem of a particular branch of our industry. I said, "I will be willing to bet that the companies in this industry charge the same percentage of sales cost to high priced low volume items as they do to the low priced, high volume item." He said, "Sure, 17 percent." As a matter of fact, they ought to charge much more for small volume, high priced items per dollar of sales than they should on the fast moving low priced and high volume items.

Budgeting is another thing. We propose this year, if we find time, to develop a budgeting manual for manufacturers, and I know of no device used by a company that makes executives more profit conscious or more cost reduction conscious than a budget if properly devised, used and understood. I don't mean the kind of budget that your Comptroller General uses.

I don't mean a straight jacket such as municipal budgets are. I mean a working budget which is a plan of action which is subject to revision, and if you like a sort of a standard against which executives operate, and particularly a tool of finding out where costs are high and where they ought to be gotten down.

Another field is labor relations. Up until about two or three years ago I think very few trade associations had any opportunity to work in this field. The unionization movement has made business men much more aware of the nature of the problem and willing to listen. We have done a great deal of work in this field in the form of bulletins and visits and consultations with our members. To a very considerable extent we have been helping our companies do the work of classifying factory and office jobs and their valuation, so that the proper wages are paid according to the grades of jobs.

Another field of activity is insurance. This is probably no more neglected subject in a great number of companies than the buying of insurance. Of course, with some companies it is a more important thing than others, but the great majority of companies in this country just turn their insurance buying over to a broker, and a great many of the brokers know all too little about insurance. A lot of companies get a terrible rooking, probably innocently enough, even on the part of the broker, from just not knowing what they are entitled to in the way of protection for their premiums.

Then there is the field of public relations and advertising. This is getting to be a field into which trade associations are feeling their way especially public relations, closely related to labor relations. Most of us find it extremely difficult to get business men to understand just what it is. There are thirty-six members of the Board of Governors of IFA, and I think there are about thirty-six different ideas as to what "public relations" is. Before we go any farther into it, what I hope to do, and we have been doing some of it, is having various people in to talk to our Board of Governors about just what "public relations" is and what a company or a trade association can do about it, and we will not do anything definite until we have a more common understanding of what it is all about.

Now I want to tell a little bit about trade associations and tests of their worth. I indicated that trade associations are not all alike, either as to effectiveness or integrity. Now, lest I seem snooty or something, I will admit that nearly four years ago one September day a complaint from the Federal Trade Commission landed in my lap. I had been at IFA about a

year, and about a year and a half later a consent order was taken by a particular group of companies, three sections of NEA. I don't yet know what the actual causes were, but I knew enough about the situation to insist, as I did, that the matter be settled by consent instead of in court. Persons in my position get gray hairs, not over what the organization officially does, but over what somebody may do or some group may do that we know nothing about and which if we know about we would stop. At least that is my position. When it can't be my position I will be somewhere else or go and get myself another job, even if I have to pull up the belt line. There are some organizations, and I can say so for our own, but we will do everything we can to prevent some group, and we have about seventy of them, from doing anything that is wrong, if we get even a rumor of it. I am afraid there are some who are not quite so conscientious. There are men who manage a number of trade associations, and I am not reflecting on all such men because some such men are infinitely better than others, who are just going around selling the proposition, "I know how to do it without getting caught", if you know what I mean. But there aren't many such. "American Trade Association Executives" and its leaders I am sure would clear those men out of the profession as there were any way of finding out about it and doing so. I have seen them try to sell propositions like that to sections of NEA, and I have never yet lost a section of NEA to any such fellow who promised "to fix up prices without getting caught." At least the business men in NEA are trained to the point where they are not going to have any part in that.

What is a satisfactory degree of representation of the industry? By dollar volume? It certainly ought to be well over 50 percent. By numbers, well, that is another matter. As I said, we have about 1200 or 1300 members of our industry, and 350 are in NEA. The 600 or 900 outside of NEA have a total sales volume of electrical products which does not make up more than 15 percent of the total. I would say that of those about 700 do not make up 2 percent. You would be surprised how many manufacturers there are in an industry like ours that do not do more than five thousand dollars worth of business in a year, and the number who don't do over twenty-five hundred would amaze you. A lot of them may be in the machine tool industry or some other and they have a little product they are making, a product which is in our industry, and maybe that is why they are listed as electrical manufacturers when they are essentially something else. Besides there are literally hundreds who do a little local business in panel boards or industrial lighting equipment, picking off a little bit of business from friends and local customers.

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Another test has to do with the democratic nature of the governing body. It isn't just that there should be a large number of people on the Board of Governors. We have thirty-six on our Board of Governors, and I had just as soon it was fifty-five or twenty-five. I recommended an increase from thirty to forty-five last year and they made it thirty-six. It provides representation of a larger number of people and they take more interest. We have an executive committee which meets between meetings of the Board, and we have an Officers' Committee that deals with strictly internal management problems. But even more important than numbers is the spirit of the organization. I would say here confidentially that I have helped, I think, to change that in our own case. I was goaded by Government officials and I was told by prominent men in our own industry that one of my jobs when I went to NEA was tacitly to change the attitude both of the membership toward NEA and of our Board and officials toward the membership, and in the course of five years we have been almost to the point of becoming a nuisance in consulting our members, of giving them full information, of taking away the last vestige of any appearance of subterfuge or of withholding information in any way as regards the budget and our program. I think that has had a good deal to do with the support of the organization by the membership despite a rather rapidly increasing budget. So the spirit of democracy in the organization, as well as the actual organizational structure is important.

Another thing, and here I am taking a hobby, is that the organization and its membership shall know what the organization is doing. "What NEA will do" is the form that takes in our case, a written program, a program that is revised every year. The NEA sections are consulted along in the spring as to what we ought to do for the succeeding year, the succeeding year being the calendar year. Our committees are consulted and they make suggestions for revisions. Our Board of Governors finally makes a recommendation to our membership and then it is sent to the membership ten days before our convention and with it the estimated costs of each activity for the succeeding calendar year, with comparative figures for the current fiscal year and for, say, two years before. I say a written program, and I could give a talk for an hour on that subject. For one thing we use it for membership maintenance purposes, but I say this any trade association ought to be able to do this as frankly and as candidly as I think we have done it. It is an open book for any government official, for any member of our industry, for anybody who wants to see it, and I would like to submit that when we try to do all that it covers there isn't any time for any "sculduggery". I wish we had less to do because I would like to do some of it more thoroughly.

Now I don't mean that every trade association has to have a document like that. We have a budget of \$550,000 this year. Lots of them don't have over 30,000. But I would like to see every trade association have a written program, even if they could put it on one page, and I would like to see them tell the membership what each plank in this program is going to cost and then at the end of the year what it actually did cost.

Another test is effective committee organization and service. How is it done? Do the committees function effectively? Are they representative of the companies by size and different branches of the industry? There is a whole set of tests as to effective committee organization.

An adequate budget. I think, of course, a trade association that is just a paper institution is a dangerous one. I had rather not see one. I am always afraid that it is just a cloak for a golf tournament and maybe some conversations on the side. I suspect them. A budget adequate to the purpose is important, and with it goes the question of an adequate and competent staff. Now that is a delicate thing to talk about. I am firmly convinced that any industry is making a far better investment in a competent staff than in an incompetent one. I think I could attach myself to an industry doing twenty million dollars worth of business a year, with maybe forty members, and with a budget perhaps of fifty thousand dollars a year altogether give them their money's worth times over in savings by getting to know their problems thoroughly, their labor problems, marketing problems, etc. I do not mean price problems. I don't know anything about prices nowadays. I used to when I was in management engineering work, but I don't any more. I could by helping solve problems in management, protecting the industry against barriers to its growth, by standardization work, which will help reduce costs of production, distribution, wholesaling, and advertising. Incidentally, I would insist on a particular figure in connection with both budget and staff, and that is a traveling budget of from four to five thousand dollars a year for the secretary. I don't think an industry is entitled to have a trade association unless it will provide its secretary with enough money to get out of the office from sixty to seventy percent of the time and go travelling to sit down with the members of the industry in their own offices. He isn't worth much to them sitting on a chair in Washington or New York, he has to know the feel of the situation, and I have told trade association after trade association to include an adequate travelling budget for

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their manager or they had better do without a trade association.

As for help in any future war, trade associations can help you in a great many ways. I am sure that if war should break out most trade association people, the members and their staffs, will give their best opinion to government officials and bureaus, but you will have men come down here representing trade associations who are smooth and slick without many facts, and you will suspect them and rightly, and you will have other men come down who are disagreeable and demanding even though they have facts. They probably will get their just desserts. They won't present their case effectively. And you will have men come down with a real effort to understand your problem, with facts, making an effort to have you understand the problem of the industry or of their members, and they will probably get about what they deserve, and you will get what you deserve from them. There will be all sorts of disagreements. I hope you will be patient, I hope you will be understanding, and I hope trade association members and trade association secretaries will try to be both understanding and factual and helpful, and maybe sometimes firm, because you will be so rushed that sometimes they will have to stand firm in order to get adequate understanding, but doing the job when it comes the way it ought to be done, not merely in a spirit of emotional patriotism but with a knowledge of facts and a willingness to face facts together with you.

DISCUSSION

following lecture by Doctor W. J. Donald, Managing Director,
National Electrical Manufacturers Association

April 3, 1939

Q. Dr. Donald, I understand that in England the trade associations are somewhat different from in this country in that instead of having between 2500 and 3000 trade associations, they have in some manner limited the trade associations to one to an industry, and that, therefore, the Government is in a position in peace-time to deal with what amounts to a service committee. Are you familiar with that situation?

A. Not very.

Q. Would you care to comment on the feasibility of limiting the number of trade associations in this country to approximate a service committee in peace-time?

A. As it is today we have to keep so on our toes or somebody else will come in and take our jobs away from us, because there is plenty of competition between trade associations and trade association men. I have always got somebody sniping at some section of NEMA, somebody wants to get the electric roaster industry or the iron industry and organize a new separate trade association. Now we have in our picture, if you like, a sort of, some people say, federation of trade associations. There are around 70 different sections. They all could be organized separately as separate trade associations. The thing that holds us together, really, is the technical problems that have to do with the manufacture and

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interrelations of different electrical problems. In England one thing that brings employers together in fewer organized bodies is the union situation. In other words, they have organized employers in a much larger degree than we have here. We have relatively little of it here as yet. In addition to that the law in Great Britain is very different. As I understand it, they are still practically operating under common laws as regards to restriction of trade and reasonable restraint of trade does not need disapproval of the courts. In the last few months I think our businessmen and lawyers are more at sea as to what the American Anti-Trust law is than ever before, at least for a decade or so. We almost came to some degree of coordination in NRA days. I think if General Johnson had started out with more of a plan instead of in the somewhat opportunistic way in which he did, we might have gotten a much better coordination than we did. The General finally just through up his hands and gave them separate codes. I was one of those at the outset who fought to separate the codes for several organizations. What is going to come out of the temporary National Economic Committee as regards trade I don't know.

Q. You mentioned something about the electrical trade in Japan. Would you care to tell us in what particular items we do trade with Japan, both in exports and imports? I don't mean details of it, but the general type of stuff?

A. The items of imports of electrical stuff from Japan that have bothered us most have been cord, flexible cord; a little porcelain, electrical porcelain; and lamps, that is the bulk; and

small motors, that is, fractional horsepower motors. Now, on heavy equipment, we used to ship a lot abroad, motors, generators, turbines, etc. In recent years, that volume has gone way down. What has been happening in Japan has been license agreements between American companies and Japanese companies. I don't have the detailed figures.

Q. Dr. Donald, ^{do} many of our Government specifications for electrical equipment and supplies require the approval of the National Electrical Manufacturers Association?

A. No. They call for production meeting the so-called NEMA standards.

Q. Well, I know there have been several cases of where several non-members of the NEMA were required to be instructed along those standards and complained that that is a racket, that they shouldn't be required to do that, that they have their own standards and specifications that are just as good as yours and by requiring that they have to build up a new specification of some sort.

A. There is nothing to prevent a non-member building to a NEMA standard. That is open to anybody. Anybody can buy a copy of the NEMA standard. Anybody can build to a NEMA standard. I think you would find that, of course, a great deal of specifications are build in terms of NEMA standards by private companies. I didn't know that actually the Government did it, but that means, of course, that buying a standardized product that will fit in with other

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electrical products in many cases and that is why the NEMA standard is often specified by customers.

Q. I had one particular incident in mind, of the Government buying several thousand electrical ranges and in that specification that they advertised for those ranges it said that these ranges must bear the approval, as I remember, of the NEMA.

A. No, we haven't any approval plan. We do now have a NEMA standard, I think, for electric ranges. If so, it has been worked out jointly with the utilities. What was happening was that this utility would have a certain specification and this one a different specification and maybe this one another, all based on somebody's preference for something. You can see what that was doing to mass production. The cost of little variations for different markets was expensive, so we discussed the matter with Edison Institute Joint Committee and worked out a satisfactory set of specifications. I think those specifications have now been approved as a NEMA standard. However, at the present time we have no method of testing to the NEMA standard and we have no method of labeling. Only the Bureau of Standards, I suppose, could test at present and I think they frequently do, don't they? There is something that I think you may be confusing with another thing, National Underwriters Laboratory standards. Is that possible?

Q. It might be possible.

A. The Underwriters Laboratory was originally an insurance-owned organization. It is now a non-profit corporation. The

insurance companies have just turned in their original investment. That has been the testing organization that is nationally recognized for all electrical products for which there is a fire or a safety hazard--not only electrical products, fire doors, extinguishers, any number of things, and the procurement division and the electrical supplies committee have very often written ⁱⁿ to the federal specifications "Underwriters Laboratories Standard or equivalent". About four years ago the Comptroller General's office turned thumbs down on the inclusion of the Underwriters Laboratories standard entering into specifications, the reason being he thought it was an improper delegation of power to a non-Governmental agency. One day I had the bright idea that if we didn't have the power to make it, we would get legislation to permit it. Of course, it worked out that in this legislation we devised a wording which Dr. Briggs of the Bureau of Standards presented to the procurement director and also the Comptroller General. They said okay, that that "or equivalent" clause that was in it made it all different, leaving the power strictly in the hands of the Federal Government to decide just what was the equivalent. We have no control whatever over Underwriters Laboratory standards. We give them as much advice as we like of technical information and try to influence their judgment but the Underwriters Standards are not the standards of NEMA.

Colonel Miles: Are there any further questions? There don't appear to be any. We want to thank Dr. Donald for this instructive talk and one which has given us all, I am sure, a very much clearer idea of what can be expected of trade associations. Thank you, Dr.