

reported in *Advertising Age* revealed that only 8 per cent of American admen considered that others in the profession were "honest."

A second method for increasing sales proposes greater expenditures on packaging. U.S. Steel's executive vice president has estimated that "Packaging-industry sales amount to almost \$20,000,000,000 a year and may reach \$30,000,000,000 within five years." One can perhaps doubt whether most forms of packaging really add to the satisfaction of the consumer to such an extent that further rapid expansion is desirable or even justifiable. Already the package, narrowly defined as pack, box, etc., often costs more than the product it encloses. For example, it is now more expensive to repack soap powder, if a change in design of the box should be decided, than to throw it away. In addition, "deception" is rife in this field. Senator Maurine B. Neuberger has introduced legislation to curb abuses. She comments in the *Retail Clerks' International Advocate*:

If you're not going to make your package larger than it need be to hold the ingredients, at least you can confuse the shopper by using an odd-sized container. Marketing your product in a weirdly shaped bottle is an excellent way of preventing the customer from comparing its size with a competing product. If you can flatten out your cereal box, you can make it taller and wider; if you put a narrow neck in a bottle, you can make it taller.

But slack-filled, distorted packages are just the beginning! Science has come to the aid of the producer who wants to enlarge the apparent size of his product without adding any more of its costly ingredients. He injects water into a ham or processed cheese, or markets "balloon" bread, where a one pound loaf is baked in a one and one-half pound pan.

In addition to advertising and packaging, marketives try to increase their sales by achieving "uniqueness" for their ecofacts through research and development. Most marketives try to carve out a market for their own ecofacts by stressing some quality which is not available, or which is implied not to be available, in other similar ecofacts. They do not sell toothpaste, but "Y's superhextozed toothcleanser"; they do not simply clean clothes, but they offer "Z's special

process with added L&R." In this way they hope to convince the consumer that their ecofact is so different from all others that price should be a minor, if not an irrelevant, factor in choosing between ecofacts. It might, however, be added that failure to identify or develop such uniqueness does not seem to bother the real "expert." One packaged-goods executive said: "If we've got a real product difference, we could let any kid from Harvard Business School write the ads. When we've got parity of products, though, that's when we need the pros."

Seducers' Paradise

The implications we face of future increases in expenditure on all aspects of consumer seduction—advertising, packaging, research and development—are sobering. There appears to be a possibility that the amount spent nationally to influence the consumer may exceed the amount spent nationally on formal education. In addition, expenditures on consumer seduction will compete more and more directly with education because of the changing age structure of the population—by 1965, 50 per cent of the population will be under twenty-five. This statistic alone would cause the marketive to concentrate more attention on this group, but there will be even more encouragement to spend large quantities of money to

attract teen-agers because they are likely to be particularly affected by advertising. Eugene Gilbert of the Gilbert Marketing Group recently commented: "Teen-agers are a follow-the-leader group. They are more susceptible."

What effects can we anticipate if all of these trends are allowed to develop? It seems only too reasonable to anticipate that we would come to regard the consumer of all ages as a buying machine, whose willingness to buy would measure his value. In these circumstances, any residual qualms which might exist about the effect of certain selling techniques—ultimately including, perhaps, the subliminal—on the dignity of the individual and on his rights to privacy would be forgotten.

Aldous Huxley sketched the results of a highly technological, over-producing, forced-consumption economy in his deeply prophetic book, *Brave New World*, although he suggested that centuries would elapse before the society he described would develop. His more recent writing, particularly *Brave New World Revisited*, shows why he now fears the development of just such an ahuman society within a very brief period of years. There is increasingly general concern among social scientists that Huxley's prophecies may indeed come true unless there is a change in the directional drives of Western society.

III: Automation and Profits

American marketives have complained increasingly of the profit squeeze. Despite the growth in total sales in the last decade, the absolute level of profits was not much higher in the early nineteen-sixties than ten years earlier. One of the reasons for this was the growing weight of abundance which prevented marketives from raising their prices; even the acceleration in demand-creating activities discussed above was insufficient to prevent this trend.

More important for the long run was the emergence of a new force resulting from the actions of marketives themselves. As has been pointed out, one of the methods being used to increase sales is the attempt to insure "uniqueness" in ecofacts. The success of this at-

tempt, which was intended to improve the position of each marketive, has actually undermined the position of all. Recent years have seen the accelerated development of unique ideas, materials and ecofacts. Most marketives are now producing a substantial number of ecofacts which were introduced for the first time during the last decade; in some research-minded companies, the percentage of new ecofacts rises over 50 per cent. The properties of steel, aluminum, plastics and other materials have been adapted for specific uses: one of the latest developments is an almost unbreakable glass.

Many of these unique developments were naturally of value not only to the traditional customers of the particular firm or industry

which produced them, but were also of interest to new customers from other types of business. As a result, competition was intensified. While competition used to be *among firms within industries* it is now both *within and among industries*: for example, steel and concrete compete when buildings are planned; plastics, aluminum and steel are all considered for certain uses when automobiles are designed.

While firms within a single industry had methods of restricting price competition and therefore holding down supply, firms in two different industries do not usually observe the same courtesies. The aluminum producer trying to enter the container market is little concerned with the pricing policy of glass, while the glass producer who tries to recover his market from aluminum is not going to worry about the effect of his actions on aluminum prices. This invasion of new markets is one of the factors which has led to increased price competition in recent years, but not the only one. Another important force has been the willingness of many marketives to sell their goods abroad at lower prices than they charge at home, in order to use all their available productive capacity. The international regulations against dumping (selling at lower prices abroad than at home) are today more often honored in the breach than in the observance.

New Price Patterns

The fact that many marketives are increasingly losing the power to control their price policy is leading to a new pattern of price changes. During the 1950s, one of the basic threats to the economy was considered to be that of inflation (continuously rising prices). An increasing number of economists now recognize that the developments discussed in previous paragraphs may shortly lead to deflation (continuously falling prices) and that this could be a major danger in the sixties. In the early sixties, prices of a wide variety of manufactured materials were "weak" for the first time since the beginning of World War II, general price cuts were made for such products as paper, aluminum and synthetic fibers. In addition, the general level of prices for commodities such as agricultural products and metals, which have been weak in recent

years, continued their decline, while the prices of manufactured consumer goods also showed a downward trend in many cases.

A forced decline in prices in coming years, resulting from increased internal and external competition, will make the position of some marketives precarious. They will react by trying to increase the sales of their ecofacts, but they will also try to cut their costs—the only other way to maintain profit levels. Such an intensive cost-cutting drive would lead to the installation of additional cybernated equipment with a consequent increase in levels of unemployment, for it will occur just at the time when the full effects of the cybernation revolution are being felt and the dollars-and-cents advantages of buying a machine to replace a man have become undeniable. In the past, the cost of installing equipment to take the place of a worker has fairly consistently averaged around three times his annual wage, at present it is in many cases only a fraction of one year's wage.

A large proportion of marketives are certainly going to spend increasing sums on cybernation in coming years. This is leading to a direct clash with the labor unions, who find themselves compelled, as a result, to change their traditional posture. Unions in this country have historically been expansionist-minded, believing that the best way to increase their members' wages was to raise production and share the consequent increase in marketive revenue with management and owners. This contrasts with the traditional approach of the European unions, which has been to try to obtain a larger part of existing marketive revenue; only in recent years have they really accepted the concept of supporting efforts to increase productivity so as to achieve higher wages.

American unions have not even been primarily concerned up to the present time with preserving jobs for *all* their members, concentrating instead on insuring that those who *are* working should be well paid. This philosophy is frequently demonstrated on a national scale. One of the more startling examples was the willingness of John L. Lewis, when he was President of the United Mine Workers, to cooperate in an extremely extensive mechanization program which re-

duced the number of workers in the coal industry by about half—or almost 300,000 miners—over a period of about twelve years. This policy certainly improved the competitive position of the coal industry as compared to other fuels, such as oil, but only at enormous social cost, for the larger profits were not put back into the economy of the coal regions and the widespread resultant unemployment has created some of the most severely depressed areas of the country.

Let us consider another industry—the railroads—where the unions have tended to *oppose* change and an unfavorable public image has developed, particularly on the issue of "featherbedding." The reality of the situation hardly supports the image. The Bureau of Labor Statistics has stated that output per man-hour on the railroads has risen 70 per cent between 1947 and 1960, a gain larger than that in most other industries. This has meant that employment on the railroads decreased from 1,400,000 to 800,000 in 1960 to 730,000 in 1961—a drop of almost 50 per cent in only fourteen years. It is hardly surprising that those still working should try to fight for some form of protection against continuing layoffs.

Labor's Dilemma

Changes like these in the size of the labor force in various industries have major implications for the future position of the unions. The number of jobs in the fields where unions have traditionally been strongest has been declining in recent years: the highest employment levels were reached in mining in 1948, in transportation and public utilities and in manufacturing in 1953, and in construction in 1956. On the other hand, increases in employment in recent years have been concentrated in wholesale and retail trades; finance, insurance and real estate; other service trades and industries and above all in government. The unions have always had relatively limited success in organizing these types of workers. Another way of looking at the unions' problems is to recognize that over the last ten years the proportion of white-collar to blue-collar workers has changed: for the first time white-collar workers now outnumber blue-collar. This is partly due to a significant rise in the number of white-collar

workers in such old established blue-collar fields as manufacturing—there was a rise in the proportion of white-collar workers from 17 per cent in 1948 to 26 per cent in 1962. Meanwhile, the unions have largely failed to alter their techniques of organization so as to appeal to white-collar workers.

Still another approach to understanding union problems is through the fact that there has been a major increase in the employment of women in the 1950s. In some areas of the country, women are able to find work when men cannot. Once again, the tradition of unionization is stronger among men than among women—and little attempt has been made to attract women members.

While these overall employment trends have tended to weaken the unions, the increase in unemployment has now begun to alarm them. Each recession since the mid-fifties has left behind more jobless and there is some evidence that the unemployment statistics over the last years have not fully reflected the real increase in the number of those unable to find work. A person is only counted as unemployed if he "actively" sought work during the week of the unemployment survey. Thus an older man who would like to find another job, but who has become discouraged, would not be reflected in the statistics. The report of the President's Committee on Employment in 1962 stated that the recent pattern of growth of the labor force suggested that a number of people who could be expected to want work were not "actively" seeking it.

The increase in rates of unemployment has affected most seriously those with inadequate skills and education. There was a drop in the number of jobs for unskilled workers of 20 per cent between 1956 and 1960. Figures show that unemployment rates in 1959 for those with seven years' schooling or less reached almost 10 per cent, compared to just over 3 per cent for those with thirteen to fifteen years' schooling and just over 1 per cent for those with sixteen years or more. In addition, the rates of unemployment for those with limited schooling have been rising most rapidly. Donald Michael prophesied in his pamphlet, *Cybernation—the Silent Revolution*: "In twenty years, other things being equal, most of the routine blue-collar and

white-collar tasks that can be done by cybernation will be." If this comes to pass, unemployment will reach levels necessitating radical changes in the social system.

Futile Demands

Labor organizations were slow to recognize the existence of a continuing long-term unemployment problem and the consequent danger to their position, but now that the threat is becoming painfully obvious, the traditional demand of the union leadership for steady decreases in working hours can be expected to be overwhelmingly stressed. Since World War II, the unions have ritualistically demanded a shorter workweek, but there has been little real drive behind the demand. In 1962, however, the AFL-CIO decided that one of their primary goals must be the achievement of a thirty-five-hour workweek with no decrease in take-home pay. They argued that this reduction in hours was necessary to spread the available work.

Unfortunately, such a change in hours would set up secondary effects which could largely prevent the increase in employment it was designed to achieve. There appears to be some evidence that the employer may often be able to reschedule work to accomplish the same amount of production, in spite of a reduction in total work hours, without additions to the labor force, and that even if he cannot conveniently reschedule, he will often prefer to pay for overtime rather than hire more workers. In addition, some of those whose hours are reduced may "moonlight," that is to say, take on a second job. The most important negative effect, however, would result from the fact that each employee who worked shorter hours for the same total pay would receive an effective increase in the amount paid per hour. Higher payments to labor, whatever the method by which they are achieved, tilt the balance further in favor of investment in machinery—thus leading to more emphasis on cybernation and more rapid elimination of the labor force.

Traditionally the unions strive for higher wages, more fringe benefits and shorter hours. The marketive has been able to pass the higher labor costs on to the consumer. But the coming of abundance and the drive for uniqueness

have drastically limited the ability of the marketive to set its own prices in order to maintain its profit levels. The only possible reaction for a large proportion of marketives is to push cybernation ever more vigorously, regardless of its effect on unemployment rates.

The cybernation revolution is only beginning. Up to the present, most marketives have been prepared to cooperate with the unions in keeping any diminution in the labor force which might follow the introduction of cybernated equipment to a level which could be absorbed by natural wastage—voluntary retirements, deaths, etc. When this could not be achieved, many marketives have been prepared to underwrite plans to protect their workless employees and sometimes to guarantee them, more or less, lifetime incomes even if no work is available, as in the case of a railroad telegraphers' union.

Machines Must Win

This approach clearly protected the interests of those who had already found work, but the overall implications for the socio-economic system are far from favorable. For while the total number of workers who lost their jobs was not great, the total number of newly created job openings declined from an annual average of 900,000 in the period 1947-1957 to an annual average of less than 500,000 in the period 1957-1962. People entering the labor market for the first time, and those over forty or fifty, have found it increasingly difficult to obtain work. The overall situation will be still further aggravated by the fact that the number of entrants to the labor force per year will be almost twice as large in the mid-sixties as it was in the mid-fifties. It would therefore be necessary to triple the number of new job openings during the sixties as compared with the period 1957-1962 merely to prevent the unemployment situation from worsening. It is difficult to conceive of an overall plan which would accomplish this aim and still be acceptable to Congress.

It is obvious that in many cases marketives will actually be forced to accelerate their introduction of cybernated equipment. Thus, not only will hiring be limited, but an ever-increasing number of workers will be laid off. Once this new trend

becomes manifest; it can be expected that the unions will use all possible means to oppose it, not only because it will increase unemployment and lessen the size of wage increases, but also because it would destroy their power. Such an increase in labor-management strife would make the introduction of cybernated equipment even *more* attractive: machines don't have

ideas of their own and don't go out on strike.

Unemployment rates must therefore be expected to rise in the sixties. This unemployment will be concentrated among the unskilled, the older worker and the youngster entering the labor force. Minority groups will also be hard hit. No conceivable rate of economic growth will avoid this result.

IV: The \$60 Billion Gap

Why is the economist now so confident of continued growth in our ability to produce? His basic belief stems in large part from his inability to perceive any forces which would reverse a trend that has now continued for well over a century. Indeed, many economists now argue that a higher rate of growth must be expected in the future because of the effects of increased expenditure on research and development. As evidence, they point to the extraordinary rise in agricultural production since the government introduced a major R & D program in the nineteen-thirties. Since then, dramatic increases in agricultural productivity—far larger than those attained in many manufacturing industries—have occurred. Ben Seligman, research director of the Retail Clerks International Association, states:

So advanced is our agricultural establishment that even the 10 per cent of the labor force it now employs is too much. Farm output increased 77 per cent between 1910 and 1954, while land used for crops went up only 15 per cent. During the same period, labor on farms as measured by man-hours dropped over 30 per cent. This suggests an almost threefold rise in productivity.

By now the agricultural labor force has decreased still further and most economists expect that agriculture will need no more than 5 per cent of the total labor force within a brief period of years.

This overwhelming increase in productivity is now agreed to be the main reason why the farm policies of all recent administrations have proved ineffective. The major government programs in agriculture inaugurated in the 1930s had two main aims: to raise the incomes of farmers and to protect the natural resources of the country. On the

one hand, government policy called for a restriction of production; on the other, a research program to improve farming techniques was inaugurated. Inevitably, R & D programs have been so successful that the gap between potential agricultural supply and effective demand has continued to widen. The consequent possibility of large-scale oversupply forced the government to reduce the prices paid for surplus agricultural produce and also to restrict production ever more severely. As part of this latter program, payments are made to farmers who voluntarily cease to use their land for the production of certain crops. The government has come, in effect, to pay for *non*-production, and has recently extended this policy by agreeing to compensate seed producers for *not* selling the seed which *would* have been used if farmers had *not* reduced the acreage planted.

Market Forces Prevail

The recent painful experience in agriculture should teach us that one of the most basic tenets of theoretical economics 'is correct.' Adam Smith stated that the effective operation of the economy requires that the individual should react to market forces and that attempts to control production through government intervention would necessarily fail. The greatest irony is that the principal beneficiaries of today's government farm programs are no longer the small farmers, but the mechanized farm-factories.

The government cannot second-guess the market, for market forces will always take their "revenge." Thus any attempts to provide a particular group with protection *inside* the market will distort the operation of the economy, worsen the position of other groups or damage

the interests of the group the government is trying to help. The government's lack of effectiveness in controlling the market will become even more apparent when the economic picture is further changed by the R & D revolution which is augmenting the number of alternative ways of doing the same thing and therefore the complexity of controlling production. Even such apparently socially valuable government programs as increases in minimum wages are unlikely to attain their goals, for they tend to encourage the process of cybernation by raising the wages of those workers who are in most direct competition with cybernated equipment. Governments will only move ever further into a mire of controls if they try to manipulate the market. Social goals must be achieved in other ways.

The Production 'Gap'

Although the manifest absurdity of the agricultural position has forced even the most conservative economist to recognize the problem of abundance in this part of the economy, very few discuss the parallel problem in the rest of the economy despite the fact that it is now generally agreed that we could produce *at least* another \$60 billion worth of ecofacts with presently available productive capacity. A 1962 report of the Conference on Economic Progress, an organization which has tried to inform the American people of the gap between potential and actual production, enlarges on this point:

We have also experienced an extraordinarily high level of idle plant and machines, not only during recessionary periods, but also on the average for the whole period from 1954 on into 1962 — even though 1962 is popularly regarded as a highly prosperous year with frequent citations of record-breaking production. . . .

With national production for the period from the beginning of 1953 to the middle of 1962 as a whole estimated at \$387 billion below maximum production (1961 dollars), and with man-years of employment about 24 million too low, business investors, farmers, wage and salary workers, and professional people have all forfeited immense aggregates of income and opportunity. Average family income, for the period as a whole, has been \$6,300 lower than it would have been under conditions of maximum employment and production.

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