

*By paying fewer employees at existing wage rates, or
By paying the same number of employees at lower rates.*

The goal we must reach to stay in business is clear: reduce our per-car cost to the point where customers start buying them again.

If an inflexible wage contract prevents us from employing all of our present workers at lower pay, we are forced to reduce wage costs by replacing some of them with machines (assuming that we can raise the necessary investment funds). If we don't, we will have to close up shop. Then everyone will be unemployed. It would not be right to blame the resulting loss of jobs on automation, since the real cause would stem directly from the problem of inflexible wages. (This is why many employers claim the decision to automate is forced on them. They are forced to replace people with machines in order to keep total wage costs from going too high.)

Customers in Control

In summary, then, we see that all jobs in our company are created by the customers who buy our cars. If the five costs which we ask each customer to pay get too high, we start to lose customers to our competitors. To win them back, we must cut the price

we ask for each car. This gives us less money to pay toward the five costs of producing each car. Whether our choice is increased automation at existing wages for some employees, or lowered wages for all employees, the *need to regain customers* is the cause that forces our decision.

Automation on one hand, or lower wage rates on the other, are only the effects caused by the unavoidable need to meet the price demands of customers. This fact should be stressed and stressed by businessmen until employees, stockholders, and the general public understand it.

Once the direct relationship between prices and customers to wages and employees is widely understood, a new basis for employee-employer understanding and cooperation will be opened. Employees will more readily recognize that the common interests of tool users and tool owners can be simultaneously achieved by conforming to the dictates of consumers. Such an understanding, in the long run, is the only hope to achieve the necessary high degree of labor-management cooperation to make our free enterprise system work at peak efficiency. So let us now consider some illustrations of the way in which automation serves to expand the market and regain lost customers.

How Automation Helps Expand Markets and Regain Lost Customers

The Coal Industry. After World War II, coal lost its competitive advantage to oil and gas. This was caused by two contrasting factors: Excessive wage demands had increased the price of coal, while new methods of production decreased the relative cost of gas and oil. Naturally, consumers spent their dollars where they got the most for their money. Domestic and foreign use of coal dropped. Production slipped from 688 million tons in 1947 to 439 million tons in 1962. Employment in the coal industry fell with production, and thousands of miners were left without jobs.

Now, coal has made a comeback through the combined help of automation and technological change.

Automated machines mine more coal at less cost.

Unitized trains and more efficient loading docks made lower freight rates possible.

Larger coal ships have reduced the cost of overseas shipments.

Big utility companies have increased coal purchases. Foreigners have, too, because U. S. companies can now mine and deliver coal in Europe at a lower cost than European coal companies. As a result,

coal industry employment has risen in the United States.

Electronics Industry. The radio business in the United States suffered a serious blow in 1959 when Japanese-made transistors were introduced. They were of excellent quality and cheaper, so consumers again spent their dollars where they got the best value. By 1962, Japanese producers had captured two-thirds of the transistor radio market in our country. The resulting decline in U. S. production caused a decrease in employment.

Recently General Electric announced it was selling transistor radios in competition with Japanese radios—not only in the United States, but even in far-off Japan! Again, it was automation and technological change—along with intelligent worker cooperation—that made the necessary savings in costs possible. Streamlined assembly lines, swift conveyor systems, more productive machines, and redesigned products all combined to produce quality products at competitive prices.

The Steel Industry. Widespread destruction in Europe and Japan during World War II provided opportunities to build efficient steel mills from scratch. Enterprising investors installed oxygen converters, computer-controlled systems, and other devices to increase effi-