

THE IMPORTANCE OF AN ECONOMIC VIEWPOINT
FOR LAWYERS.*

In addressing the students of the School of Commerce and Finance, I assume that you are primarily taught something of those activities through which business or commerce functions, that is, production, distribution, banking, transportation, insurance and accounting, and I assume that the Law School students are being taught something of the processes of creating and administering law.

Back of both schools there looms large in my mind the sciences grouped under the heads of Economics, Social and Political Science. These sciences have a fundamental influence over business or commerce, and as the law assumes to formulate rules to govern business conduct, I do not see how either school can function to the maximum of its opportunities without impressing upon its students in some form the importance of these sciences.

It would, therefore, seem to me to be worthy of careful consideration as to whether or not pre-law and pre-commerce students in the freshman and sophomore classes might not to advantage receive some instruction in these sciences, and whether or not it might be wise to continue some measure of their instruction in the curriculum of the Law School, and place upon them special emphasis in the School of Commerce and Finance.

I feel sure if this is done that many of the students will become so interested in the value of this training as to lead them to matriculate in the Graduate School of Economics and Government which will bring them into contact with the

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Institute for Government Research and the Institute of Economics at Washington, where the atmosphere is simply saturated with the application of these sciences to the solution of the numerous current problems, both domestic and foreign, which we, as a nation, face from day to day.

You evidently did not come here this morning, however, to hear a pedagogical lecture, but rather something of my active business experience extending over a period of nearly sixty years. Business is the most dynamic activity that I know. It is in a constant state of change. Some of these changes are the result of rules of conduct provided by law, which I have just mentioned.

For example, for the things which I and every other merchant did forty years ago they would put us in prison today if the laws then were as they now are, which of course they were not. Had we shipped one hundred carloads at a less rate than a man could ship one car, we would certainly have been considered poor business men, but the right of eminent domain granted the railroads by all the people has been interpreted by our laws as entitling the people to special protection against the exercise of their unlimited power so that the law will not permit the railroads to transport any number of cars at a lower rate than one car. It is argued that economic laws render it necessary to charge a higher rate for less than carload shipments because of the additional cost of transporting such shipments, but as the economic unit of cost is found in transporting one car, there is no economic reason for a lower rate in larger quantity shipments.

Government of the people, by the people and for the people has crystalized both in state and national laws the policy that while civilization is vitally dependent upon maintaining such private rights of property as will stimulate and maintain the initiative which makes for production and the thrift which makes for the accumulation of this world's goods, that this right must be so qualified as to protect the

public against exploitation, and to that end we have the so-called anti-trust laws. Any number of things which we did in business a few years ago are now penalized under the law as being unfair practices.

Quite a volume could be written on the growth of business morals in this country during the past two or three decades, and notwithstanding the popular slogan of "More business in government and less government in business," it is possible that we are just in the infancy of economic regulating laws, the need of which may be accentuated by the growing complexity of our civilization, and an important phase of which is the conflict of *block interests* in this country.

The trend of industry into so-called trusts, or rather into large corporations widely owned by the investing public, has a marked bearing on the social significance of business. There are numerous influences that would seem to indicate that in the course of time the great mass of industrial interests will be widely owned by the investing public. A casual survey of the industrial development of the country indicates that the industries are rapidly following the example of the United States Steel Corporation. After manufacturers develop a large and profitable business, then through a desire either to leave their estates in more conservative shape, or to rid themselves of business cares, or sell their business at a handsome profit over its cost, they are induced to form those combinations that ultimately lead to the sale of these properties to the public. The social significance of this is that as the public, including labor, become the owners, the whole problem of the relation of capital to labor, and the relation of both to the public, begins to solve itself. As management of these large corporations own, as a rule, a relatively small portion of the stock, the intense personal interest which existed where the owner was the manager is eliminated, and he begins to feel himself more and more a trustee for the stockholder, employees and the public.

The greatest social significance attaches to the phenomenal success of Henry Ford. He tells us in his book, "My Life and Work," that the industry which functions as a public service, has for its aim the lowest possible unit cost of production, the payment of the highest practical wages to the workers and the lowering in selling price as fast as cost can be reduced so that the article reaches the great mass of the population. Such an industry will not only furnish the greatest satisfaction in life but, by the expansion of its market and economies in large scientific production will register the greatest financial success. He has certainly proven his case in the automobile industry, but as to whether it can be made to apply to other industries is a question. In any event, none of these demonstrations should be allowed to pass unobserved like ships in the night. Their scientific study is one of the functions of the Institute of Economics at Washington.

As an example of one of a large number of phases of the mutual relationship of Capital, Labor and the Public, upon which the Institute is working, we will shortly publish a book on the relative earnings of the labor employing industries as compared with bank earnings which employ little or no labor. This publication has for its purpose an answer to the universal complaint made by labor that it is being exploited by capital. A study over a period of twenty years of a large number of the most prosperous labor employing industries shows that they really make about one per cent less on investments than practically all the banks of the country make on their capital and surplus over the same period of time.

The American Federation of Labor has frequently placed itself on record as favoring private ownership in property, and has shown itself violently opposed to communism and bolshevism. If it is shown that they are mistaken in their statement that they are exploited by capital,

and that capital cannot be retained in industry at any less rate of return, then it goes without saying that every strike or demand which increases wages means an increased price to the public, the largest and most important of which is agriculture, now suffering from the lack of equilibrium between the earnings of labor in industry and its earnings in agriculture.

You see from this how the study of one economic problem may spread over a very large field.

In the last analysis it will show that if all the groups are to benefit by higher standards of living, they must all produce more, as the volume of production is the only source of increased supply, and this carries us into a study of the waste growing out of labor union policies such as strikes and rules of reduced production, the latter of which is supposed to increase the demand for labor and reduce the risk of unemployment.

Here we meet the position of the trade associations, who say: If the anti-trust laws would permit them to stabilize production by its control, we would avoid the present wide fluctuations in supply and demand, which would reduce unemployment to such a minimum that they could easily take care of it. This again leads us to a study of the anti-trust laws to see if they could be so modified as to meet the desires or needs of industry without subjecting the public to exploitation. Finally, if we undertake to work out our own economic life independent of the balance of the world, we face that vitally important problem "Our Tariff Policy".

I mention all of these things in a casual way simply to impress you with the scope and importance of the work being done by the Institute for Government Research and the Institute of Economics at Washington: problems of government, both legislative and administrative; economic problems, involving our monetary system and foreign financial relations which includes the Tariff problem; the coal problem; the transportation problem; the taxation problem,

and numerous other problems with endless ramifications which offer an almost unlimited field for service.

Contact with these activities, supplemented not only by the teaching of their staffs, but also by numerous lectures or addresses by outstanding economists in the public service, as well as the unequalled library facilities of Washington, offer opportunities for instruction by our School of Economics and Government unequalled in this or any other country.