

**Government in Business**

By J. A. McDonald, '35

During recent years much discussion has been carried on regarding the subject of state intervention in business. Certain conditions present in industry today have seemed to render such intervention necessary. Recent trends in many industrial fields are definitely toward centralization of control to the degree that, while nominally there is supposed to prevail free competition in business, in reality the buying public have prices fixed for them by huge holding companies. Thus monopoly rears its ugly head in our midst. Labor has become enslaved by big business; workers in many cases are subjected to sweatshop conditions,—long hours, unwholesome working conditions and wages too low to keep the worker in reasonable comfort. Unemployment is prevalent to an extent hitherto unknown. Something must be done and the only power to do it is the government.

But has the state the right to interfere? To answer this we must go back to consider just what are the functions of a state. Is it the duty of the state merely to protect rights, or is there the added duty of furthering in every way possible the interests of the common good? Most statesmen, following the dictum of Aristotle, assert that both these functions must be carried out by the state viz: first, to protect; secondly, to assist. The first of these functions need not concern us here; it involves adequate policing so that order may prevail; the fixing of legal relations between individuals; the definition and punishment of crime; the dealings of the state with foreign powers. All these duties are indisputably essential to the concept of a state. But it is when we come to the promotive function of the state that we encounter great difference of opinion. Before we consider the opinions of the different schools of thought in this matter, it would be well to determine just what is involved in this function and the necessity of these duties so that we may have some standard whereby to judge the different theories.

The second major function of the state is to promote welfare; to advance the material and moral well-being of its citizens. Every human being has certain essential and inalienable rights which extend to every member of the human race. Freedom of opportunity for all is essen-



tial in order that these rights be not violated. So it is easily seen that those who maintain that the highest good of the state is associated with the greatest good of the greatest number are upholding a false social philosophy. The state must not be satisfied with the good of the greatest number for welfare must be accessible to all; to deny this is to affirm that a minority group have not the essential rights of citizens. Needless to say, it is not the duty of the government to directly provide the essentials of life for each and every citizen; it is the duty of the state, however, to regulate economic conditions to the end that each may have the opportunity to provide adequately for his material and moral welfare.

In the light of these truths let us consider the respective tenets of two distinct schools of thought regarding the duties of a state toward its subjects viz: individualism and collectivism. The individualist holds that welfare can be best secured by allowing to each the maximum liberty consistent with the rights of others. The function of the government, they hold, should be restricted to those of protection only, no social legislation or welfare work should be undertaken by it. Free competition is to reign in business; free bargaining between employer and employee. Any government intervention is held to stifle self-interest which is the driving force behind the whole system. Each individual, if free from restrictions will strive and sacrifice in order "to get along." Through the individual strivings of all its citizens, the state itself will be the richer and thus a policy of individualism results in a more prosperous society. Corporation tax laws, minimum wage laws and such legislation tend to hamper free enterprise and, therefore, are against the best interests of a state.

The great criticism to be levelled against such a social philosophy is that it is built on a false presumption viz: that all men are equally fitted physically, mentally, and socially to enter the arena of free competition. On account of certain conditions there will always be inequality of opportunity and wealth and where such inequality exists the policy of individualism leads to the enrichment of a few to the detriment of the many. If, for instance, employer and employee, consumer and producer were on an equal in regard to bargaining power, everything would be all right. But there certainly is no freedom or liberty



on the part of starving men bargaining with those who by virtue of their wealth and consequent political and social prestige are firmly entrenched in power. The stronger, more cunning, and least conscientious will always climb over the shoulders of the weaker, less brilliant and more ethically minded. Thus extreme individualism stands condemned.

Directly opposed to this individualistic theory of the state is that of socialism. By this theory it is held that all industry should be owned and operated by the state. Now it has been demonstrated that it is sometimes to the advantage of the citizen to pay more taxes in order that he may have the use of certain commodities and services supplied by the government than to pay less taxes and buy the same goods from private industry. There are many services that it is best for the government or municipal council to control, e.g. the post-office system, schools, streets and roads, fire and police protection, sanitation and water supply. For these services the government collects taxes and effects a great saving to the individual citizen. Control over other public utilities such as: electric power, telegraph and telephone service, street car and railroad transportation in many cases may be assumed by the Government to the benefit of the people. It would obviously be wasteful to have four or five telephone companies in the same locality. But there is a definite limit beyond which a government should not go in assuming control; that limit is reached when the amount paid out in taxes for a commodity or service exceeds the price for which the same may be purchased from a private concern. Obviously it would be to the disadvantage of the public if the state were to take over such an industry as agriculture, the management of which is peculiarly suited to the farmer and his family. Government methods of production in many instances are notoriously inefficient and wasteful and, except in the case where a private company exercises a monopoly on the manufacture and sale of a product, it is held by many that governments should leave industry alone. Thus, even on purely economic grounds socialism must be rejected.

From the foregoing it is easily seen that either individualism or socialism in their extreme forms result in grave injuries to society. As a result, with the exception of Russia, neither theory has been adopted "in toto" by



any country of the world. There has always been some government supervision of industry necessary and inescapable by a state; even in the period when an extreme laissez-faire policy prevailed in English history as a reaction to Mercantilism, there was some legislation enacted regarding industry. Since the time when the classical economic theory of Smith held sway, history has witnessed an almost complete repudiation of laissez-faire. Especially during recent years, due to technological progress and the growing helplessness of the individual, has there been increasing major regulation of industry; beginning with protective tariffs, public utilities and anti-trust laws there has been an ever-increasing control of industry by the government, until under the New Deal in U. S., all industries including agriculture are under the control of the state. Outright ownership by the government is growing steadily.

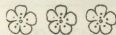
In Canada no such drastic measures have been taken as under the N. R. A. in United States. However, the policy of the present government seems to favor wide control of business in an effort to ameliorate prevailing conditions. Within the last year extensive legislation has been enacted in conformity with this policy; examples of this are the Natural Products Marketing Act and Acts providing for unemployment insurance and a forty-eight hour week. All such legislation is manifestly needed and much more if the government is to fulfil its function and not pursue a "let alone" policy.

It is a mistake to assume, however, that the state should proceed indefinitely thus putting restrictions on private business, for this is very liable to lead to state absolutism. Government should not arrogate to itself prerogatives and rights which clearly belong to the individual or to other institutions, except in such cases where there is clearly no other remedy but state intervention. To quote the words of Leo XIII in the Encyclical "Rerum Novarum": "Whenever the general interests of any particular class suffers or is threatened with evils which can in no other way be met, the public authority must step in to meet them."

Finally, the policy which is probably the best to cope with modern economic conditions is that of limited state intervention. First, certain activities should be wholly taken over by the state when such action is clearly to the



benefit of society. Secondly, strict government supervision of industry should prevail, as experience has amply demonstrated that there is no guarantee that each shall obtain his rights under conditions of free competition.



O Liberty ! How many crimes are committed in thy name ! —*Platiere.*

Begone, dull Care, I pray thee begone from me;  
Begone, dull Care, thou and I shall never agree.  
—*Playford.*

He is never alone that is in the company of noble thoughts.

Art is long, and time is fleeting  
And our hearts, though stout and brave,  
Still, like muffled drums, are beating  
Funeral marches to the grave.  
—*Longfellow.*

A mind not to be changed by place or time.  
The mind is its own place, and in itself  
Can make a Heaven of Hell, a Hell of Heaven.  
—*Milton.*

