

There are several myths about the famous US capitalist Henry Ford that need to be deflated and corrected. His alleged position in history is a fairly clear example of the substitution of a "hero story" in place of actual history and actual performance.

As most history books describe Ford, he was a civic leader and philanthropist. He is often given credit for the use of the assembly line for mass production. Actually the application of the assembly line process was the result of the wisdom of his lead foreman early in the mass production of the Ford Motor Car Corporation.

Ford is also given credit for the wisdom to pay his employees enough so that they could afford to buy the cars that they were making. This is prominently used to explain the origin of the middle class in the US. It is perhaps a nice story, but it is not really the reason that the decision was made to increase the pay for the Ford assembly line workers.

It was common practice in the early 20' century for the industrialist capitalists to divide the different section of a factory according to different nationalities so that it would be easier to create conflict between the different nationalities and culture groups. Promoting levels of competition and suspicion between these groups made it more difficult for workers to unionize, Many of the working people of that time were immigrants from central and southern Europe.

Ford himself was very supportive of the American eugenics movement of that era which advocated for the breeding of human beings. It represented an extreme form of elitism and racism which was eventually noticed and

adopted by Adolf Hitler. Ford was also an early admirer of Hitler's fascism. It greatly stretches reason that such a person would ever by his free will consider and accommodate the best interests of working people.

The goal of most industrial owners and managers was to pay the workers as little as they could and to treat the workers essentially as little more than beasts. Though the assembly line work was efficient in terms of production it was extremely monotonous work . Given that the typical pay levels were low, that the work was monotonous, and the prospects for higher pay were unlikely, leaving an assembly line job was an easy thing to do.

Without unions, workers expressed their dissatisfaction to management through high rates of absenteeism and turnover. In 1913-14, 81.3 percent of newly hired factory workers quit or were fired within a year. Within this arrangement, unions had difficulty organizing as long as employers could easily replenish their labor force with a steady stream of fresh immigrants, especially those speaking unfamiliar languages. Turnover was especially high for workers with repetitious jobs.

Breaking in new workers for these jobs was particularly expensive. Nonetheless, most employers seemed satisfied with this arrangement. Business leaders generally believed that, with a virtually unlimited supply of immigrant labor, conflicts between different ethnic and cultural groups would eliminate the need for more expensive skilled labor.

Other employers, for whom turnover and absenteeism were reaching crisis proportions, began to question the effectiveness of

"balancing nationalities" to reduce labor costs, slightly opening the door to the idea of welfare capitalism.

Nowhere was the problem of turnover and absenteeism more severe than in the factory of Henry Ford, where workers' dissatisfaction was running dangerously high. Absenteeism in the Ford plant in 1913 had reached 10.5 percent.

Turnover at the Ford plant had soared to 370 percent by 1913. The company had to hire 50,448 men just to maintain the average labor force of 13,623. Company surveys at Ford revealed that more than 7,300 workers left in March 1913 alone. Of these, 18 percent were discharged; 11 percent formally quit; and 71 percent were let go because they missed five days in row a without excuse and so were deemed to have quit. On each day, it was necessary to make use of 1,300 or 1,400 replacement workers without any experience. One observer remarked, "the Ford Motor Co. had reached the point of owning a great factory without having enough workers to keep it humming?"

Hiring new workers, even unskilled workers, and offering them a minimum of training turned out to be an expensive proposition. Stephen Meyer estimates that Ford spent \$35 to break in each new worker. With 52,000 workers entering the Ford factory in 1913, the company lost \$1,820,000 because of employee turnover. In addition, although conventional union organizing was not much of a threat for most industrialists at the time, the Industrial Workers of the World was threatening to organize Ford's factory.

These conditions prompted Ford to initiate

what was perhaps the most dramatic precursor of welfare capitalism: his famous introduction of the \$5 a day wage. Although Ford's gesture seemed unexpectedly generous at the time, Ford himself freely admitted that his motives were entirely self-interested:

"There was...no charity involved.... We wanted to pay these wages so that business would be on a lasting foundation. We were building for the future. A low wage business is always insecure. The payment of \$5 a day for an eight-hour day was one of the finest cost-cutting moves we ever made." Although Ford based his policy on sound business principles, the business community was aghast at his new policy, denouncing Ford as a "mad socialist" and a "traitor to his class." The Wall Street Journal and other financial papers enthusiastically joined in the attack.

However accidentally, the \$5 wage was a brilliant stroke of capitalist genius. In 1914, the first year after Ford began the \$5 wage, employee turnover fell dramatically to 54 percent. By 1915, it dropped still further to 16 percent 39. Absenteeism also subsided, falling to 0.4 percent in 1914.

The represented "genius" had nothing to do with humanitarian values. As a practice it demonstrated a more efficient method for increasing wealth by increasing the flow of currency to those with suppressed needs and demands for services.

One lesson of the actual history is that that the myths of free market economics don't hold up to the realities of actual practice. Henry Ford stumbled into doing something that was actually in his own best interest and in the interest of the

working people on the Ford assembly lines.

The lesson of the story for those who have been nurtured and indoctrinated with free market fairy tales, is that both capitalism and the community will benefit from a stable and well paid work force. Unions are one way to achieve those goals. That some unions have been abusive in certain ways is also a matter of history and political values, and does not reflect upon the basic positive potential of unions for working people and the general community.

The reversing of this lesson is also true, that capitalism and the community will suffer when the possibility of a well paid work force is destroyed by relying on low paying and unskilled jobs or by outsourcing both skilled and low skilled jobs to foreign labor markets in economically depressed countries, or by allowing the mass immigration by either legal or illegal means of people whose economies have been destroyed or depressed.

Primary source: Railroading Economics: the Creation of the Free Market Mythology by Michael Perelman, Monthly Review Press c 2006

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# Henry Ford and the Rise of the U.S. Middle Class

## Re-Imagining Economics

