
Free Men for Better Job Performance

PART II

BY C. L. DICKINSON

Recognizing the employee as a tenant with a contract to utilize his own property (skills, talents, etc.) to increase the productivity and enhance the value of the employer's property certainly is not the view now prevailing of the employer-employee relationship.

To make the owner-tenant relationship effective, it is necessary to describe the boundaries and objectives of each job. This procedure will generally result in finding many overlapping jobs that require boundary straightening through new descriptions. Some jobs may be eliminated. The job holder must have freedom for action, or control of the application of his properties to his job.

Any restriction on his authority or control of his job performance is similar to a restriction on the use of any property. Such restrictions reduce value by preventing maximum productivity. The production employee who is restricted from producing beyond a quota which is set below his personal ability and goal, no longer has control of his job performance. Both he and his employer have been robbed of their property. The supervisor or manager whose superior retains the authority essential for successfully carrying the responsibilities delegated to him is simply a servant to that boss. He has no real ownership in his job performance, doing only what and how he is told to do. Regardless of how able he might be, his performance will be lower than it would be if his superior conveyed the authority commensurate with the delegation of responsibilities.

Land owners who contract with tenants have been successful in delegating control of their property to operators who devote their management skills to attain objectives favorable to both owners and tenants. Some of

the most successful farmers do not own the land they work. They combine their own property—skills, experience, tools, and capital—with the land owner's property, to obtain a better return for both. The terms of successful owner-tenant operations are precisely defined as to property description, the responsibilities and obligations of each party, and the controls (initiative to take action) retained by the owner and those delegated to the tenant.

All kinds of schemes have been tried for distributing shares of stock of proprietary corporations to employees or for assisting employees to “invest in the company” through payroll deduction plans. These tend to become employee benefit plans rather than work incentive plans. They have the virtue of providing a share of ownership in the company, but if they are not a part of a much larger program for the company, recognition of ownership in job performance, they will fail to stimulate fully the employees' productive abilities and energy. Ownership of stock in the company is not needed to establish the conditions that are essential to the ownership principle as applied to job performance.

What is needed are clearly defined functions, duties, and responsibilities, accompanied by adequate freedom to carry them out, and the courage of owners and managers to let freedom prevail.

These requirements apply not only to proprietary corporations and unincorporated business, but also to governments, universities, and all other organizations that conduct operations with people.

C. L. Dickinson was the vice president for business affairs at the Institute for Humane Studies with a background in business management and academia. This essay was first published in 1966. This is the second of two installments. Copyright 1966 by C. L. Dickinson. Reprinted by permission of the Institute for Humane Studies.

Successful operations in any endeavor are dependent upon a great deal more than precise descriptions of property, responsibilities, and delegations of authority. But without descriptions of property, responsibilities, and authority, confusion results and initiative dies. Parkinson's Law fills the vacuum.

Management of organizations can be divided roughly into three types:

1. The autarchy in which the boss rules everything. Every detail must be approved. There is one way and only one way to do the job—the boss's way.
2. The committee system in which no important decisions are made except by group action. If the results are good, the members of the committee share the credit equally. If the results are bad, no one is at fault to take the blame or to learn from the error.
3. The true free enterprise type in which all participants know their jobs, have the freedom to perform, accept the responsibility for their own mistakes, and receive credit for their accomplishments.

Of course there are many shades and combinations of these three general managerial arrangements. A large company may include all three types in its several divisions and many departments. The same applies to a lesser extent in universities, institutions, and all levels of government.

Privately owned businesses, including corporations, partnerships, and single proprietorships that are organized for profit, are more easily adapted to the property concept of job performance than are nonprofit institutions or units of government because ownership is more easily identified in business. This concept is applicable and will work wherever there are jobs. The commercial organization that can produce at the lowest unit cost for equal quality can compete for the customers' favor while bringing higher returns to the owners and the employees. The individual job holder, whether he is a responsible executive or a minor clerk in a nonprofit organization, an academy, or a government bureau, may also apply his faculties more completely when he has the right (freedom) to apply his property, that is, all he owns in skills, experience, knowledge, and conscience to his job.

It is a mistake to assume that administrative problems can be solved, management made more effective, and productivity increased by designing organization charts—little boxes or circles in neat designs to scatter through the pages of the company manuals. Improvement will not automatically follow the preparation and distribution of job descriptions that fit the organization charts, and define the duties and responsibilities, functions, and relationships of each job. These are the management architect's plans. It's the craftsmanship of the builder that gives final character to the plans. Paper organizations are everywhere. Management texts and books are full of them. They gather dust on managers' shelves, waiting for the organization specialist or consultant to review and revise. They are simply maps to use as guides. The men and women who are represented by the boxes or circles and the job descriptions make the decisions, run the machines, keep the books, sell and distribute the goods. How efficiently they do these things will depend not only on the formal organization and methods, the qualities of the facilities and tools, but far more importantly on whether they work as slaves for a master or as individual enterpriser tenants.

Individual Freedom Leads to Positive Group Action

Farming is a good testing ground for group behavior and for the principle that ownership, control, self-reliance, and reward according to production stimulate productivity. The Plymouth colony tried for two years to produce for the common good and almost starved into oblivion. No member of the colony was permitted to cultivate his own acreage—or even to know how much he produced. Each shared according to need and supposedly contributed according to ability. When Governor Bradford permitted the establishment of privately owned individual lands, the immediate response in productivity brought plenty in place of famine.

The colonies prospered, largely on the returns from an expanding agriculture based on ownership and freedom. Two kinds of products came from the farms to enrich the nation—agricultural products and people to add to the non-farm work force and to the professions. Until very recent times these products were cultivated and grown in an economic climate of relatively free

enterprise and the people were raised and trained in a social climate of individual responsibility.

How did these people behave when brought together for group accomplishment? The quilting bees, husking bees, and community barn raisings were enjoyed as social occasions as well as for practical, productive results. Later, as machinery increased the amount of land one man could tend, so it increased beyond his own capacity the bushels he could harvest. Then the threshing ring was born. Other practical group action programs were silo filling, potato spraying, and ice house filling, where each shared the ownership of the tools and contributed, each his share, to the physical work until all was done.

What was the behavior of the group under these conditions, where each was his own master but except for the time on his own farm, worked for his neighbors? My recollection from my own farming experience is that there were usually one or two laggards in a group of ten, while the eight or nine hotly competed for the reputation of the fastest loader, or bag toter, or thresher tender. For 300 years American farmers, as independent owners and entrepreneurs and in group activities, have utilized their faculties and their capital to increase productivity from the starvation level of the Plymouth commune to today's level where the average farm worker produces enough for himself and 35 other people, and the most efficient farm worker may easily feed himself and 100 others.

Ownership is the anchor that kept the agricultural ship afloat through all of America's economic storms. When man is working alone or cooperating with neighbors to do together what each cannot do at all or as well alone, ownership is the incentive that rarely fails to spur him to voluntary, high-level output.

Farm tenancy, where a bona fide lease binds the landowner and the farm manager-operator to mutually agreeable conditions, has been a proven method of utilizing resources for efficient production in civilized parts of the world ever since private ownership has been legally protected. Karl Brandt, Director Emeritus of the Food Research Institute at Stanford University, describes the lease ". . . as a most important feature of private property in means of production because it makes the utilization of such property far more adapt-

able and flexible. . . . As is true for all human institutions, tenancy as such does not automatically guarantee favorable results for the partners or for society as a whole. How the farm enterprise or any leased enterprise functions and how its assets and productivity fare under tenancy depend on the intelligence, character, and abilities of both parties and their mutual interest in the development of the income earning capacity of the operational unit. There are no economic undertakings in which several cooperating parties cannot arrive at contractual arrangements which yield optimal returns to all jointly and fair shares to each individually."¹ This observation holds true for owners, managers, supervisors, factory and office workers, public service employees—wherever people combine their talents for productive purposes.

Some do not respond to responsibility; there are always those who prefer indolence and others who want no part of responsibility but are good workers when directed. To illustrate, one farmhand never failed to get up at four in the morning, milk the cows, clean the barn, load the milk cans on the truck—all before breakfast. But when he was given the job of sorting potatoes, alone, he became a nervous wreck in two hours. He couldn't make decisions between potatoes for seed, potatoes to eat and sell, and the culls to discard. This illustrates the need for management to develop its skill to fit the particular properties of the employee to the job he can perform best.

Difficulties to Overcome

Establishing an organization based on the tenant-ownership relationship where the employee freely uses his faculties to enhance the property of both owner and tenant is made more difficult by the present economic and political climate. Foremost, outside of the organization itself, are the education, training, and world-wide political philosophy which have molded the last two generations into believers in organized security guaranteed by government, professional associations, unions, or other pressure groups. Civil service rules protect the government employee; union contracts, the worker. Tenure secures jobs for professors and teachers. Even that rugged individualist, the farmer, has accepted restrictions on his freedom in order to obtain govern-

ment-established, rather than market-established prices for some of his products. Many businessmen have promoted price fixing through fair trade laws. The increasing power of governments to interfere in the market place, in the management of business, and in the mores stifles freedom. “The corporate and managerial revolutions have led to a moral crisis in American business by undermining the profit ethic.”² We have the partnership of government and business, the “good citizen” concept of corporations—meaning they should distribute the corporate owners’ property for good causes. These developments tend to destroy property and the meaning of ownership, that is, the right of one or more persons to possess and use to the exclusion of others.

The chief internal difficulty in establishing an administrative organization in which the property concept prevails is the administrative superiors’ unwillingness to delegate responsibility *and* authority. Many bosses think that they know not only what to do, but exactly how to do it, leaving little chance for a fertile and willing mind to propose alternatives that may be better. Few bosses have the courage to choose and assign the person whose ownership of faculties best fits the job to be done—and then to let him have free choice in the manner of employing them.

Many attempts to establish “incentive” systems have been discarded or are simply tolerated as an established part of a particular labor price system. But the fact that bonuses or other types of incentive payments are not an uncommon part of the history of wages surely indicates an understanding of the normal reaction of humans to the carrot versus the authoritarian stick—to freedom versus slavery.

The failure of managers to carry out the principles of free enterprise throughout the business structures they manage results in lower productivity and higher costs. Beyond these financial losses, the lack of free enterprise throughout the business organization from top to bottom has led to an ever increasing bureaucracy of administrators; it has led to organized restrictions on the men who run the machines. Bennett E. Kline and Norman H. Martin observed, “The management of a corporation has the responsibility of attaining efficiency and discipline and at the same time of allowing individuals freedom to display initiative, to create, and to

express themselves. Otherwise it cannot keep faith with our economic ideals of progress or with our Christian ideals of the dignity of the individual. Granted that not all people in a company will use their freedom, however hard management tries to maintain it. But if there is to be freedom for the few who *will* take advantage of it, freedom must be offered to the many. If any lesson is clear from history, it is this.”³

Most business managers are strong believers in what they call free enterprise, the competitive system of free markets. But many hesitate to allow the same system to work in their own establishments. The usual textbook approach to the definition of management runs something like this: “management is getting things done through people,” and the function of management is “planning, organizing, and controlling.” Much of the organizing and controlling by management applies to people, rather than to the development of conditions and environments in which people are relatively free to invest their abilities. “It appears to many millions of Americans that, while they live in a free society, earning and using their incomes in a free economic system, they spend most of their working hours in authoritarian institutions playing the role of the managed. The employing institutions do not match the system in their use of freedom. Being managed, it seems, is not the same as exercising freedom.”⁴

But surely you can’t turn the 600,000 employees of a vast corporation like General Motors Corporation, or even the 150 employees of a small company, into an unorganized mass without rules and directions and expect them to produce anything but chaos. True. However, there are proven ways to extend freedom to employees that result in greater satisfactions, in higher productivity, and in the extension of liberty—all this while preserving the control by owners and employees of their respective properties.

Some California farmers do it by allowing harvest workers to organize their own teams. The teams divide the harvesting job into the physical operations which each member of the team does best in concert with the others. The farmer pays the team on the basis of product picked, packed, and loaded. The team divides the payment. Obviously labor organizations do not approve of this method.

As mentioned before, owners of manufacturing facilities, particularly in New England, practiced a system of “inside contracting” for upwards of 100 years. “By 1876 the production of guns at Winchester was divided among a dozen large departments, each headed by a contractor with another half-dozen minor operations performed by separate contractors working alone or with one or two helpers. . . . The single capitalist had been supplemented by a managerial group.”⁵

The factory “inside contract” system expired with World War I and the period of “scientific management” commenced. Now, after 50 years, management is beginning to rediscover what Governor Bradford learned in 1620–21. There is no substitute for liberty as a stimulus for man to improve his lot. And as each improves, gains are multiplied for all.

Management needs to recognize that every employee in the organization is the owner of special properties, talents, experience, skills, and ideas that cannot be bought and controlled like machine tools, but only can be leased under a voluntary agreement between the business proprietors and those whose properties are needed. This concept is at the heart of successful decentralization. The relationship between the farm owner and his tenant is quite different from that of the farmer and the “hired man.” The tenant has complete freedom, within the terms of the lease, to choose the methods that enable him to get the best results. The hired man does as he is told. Herein lies the great difference in the incentives that stimulate the ideas and the will.

More Freedom—Higher Production

Some companies are experimenting with ideas of increasing the freedom of production workers. Lee Berton reports in the *Wall Street Journal* that the Raymond Company of Greene, New York, “. . . will earn 14% net profit on sales of \$18 million this year. In 1963, when the company began to use ‘participative’ management the profit was 12% on sale of \$8.5 million.” Participative management at Raymond Company means that workers are free to use their initiative and suggest, all the way to top management, methods to improve efficiency. Berton also reports that disabling injuries among overhead line crews of Detroit Edison “have declined 30% to 40% each year” since that company

“. . . began giving its . . . crews a voice in how transformers and high voltage wires should be installed.”

Texas Instruments, Inc., has divided some production employees into teams, the members of which are permitted to decide which team members does each operation best. Production has risen 10% to 40% and many new ideas for improving efficiency have come from the team members.⁶

These are moves toward the utilization of employees’ skills and faculties as tenants instead of hired hands. The principal element is freedom—more of it for each individual to use his faculties best.

We are all familiar with bonuses paid to employees for the money-saving ideas they pass along to management. It is spectacular to announce a \$500 onetime award for a worthy employee idea. Less spectacular but more certain progress will come from the ideas, innovations, better methods, and the thousand and one ways that free men find to lessen the expenditure of physical energy and increase the values from their use of their faculties.

Job Descriptions and Property Lines

The organization of people inevitably leads to some kind of hierarchy, with selected leaders and followers—superiors and subordinates. Will the competition for position, which is basic in freedom, bring chaos when the discipline of authority is lessened?

The long established rules of property may be applied to employment at all levels. If the property lines for real estate or the identifying characteristics of any tangible property are described accurately, confusion in the ownership, use, sale, or transfer is reduced or eliminated. These rules, when set forth in job descriptions, guide the orderly transfers, exchanges, leases, and sales of the intangibles that make up the properties of men’s skills, experience, courage, initiative—and all attributes owners of capital look for in managers and workers.

Owners and managers who believe in freedom should not find it difficult to extend freedom to employees who are willing to assume the responsibilities that go with freedom. Production will increase and satisfactions for owners, managers, and all workers will rise.

W. H. Hutt reminds us,

. . . that the rights we take for granted were fought for by a long line of martyrs; and we have not consciously studied the course of history in order to perceive exactly how the accumulation of technical knowledge and the expansion of occupied area have proved conducive to the winning of liberty of thought, discussion, and decision—that security from central or sectional force which is conferred by the institution of property.

In particular we have failed as peoples (or our teachers and elected representatives have failed) to perceive the origin of that security which emerges from the right to enter into and rely upon contract, a right which permits cooperation without coercion—cooperation under conditions of freedom. Even less do we perceive the true source of two subsidiary yet fundamental rights, (a) *the right to work* (in the sense of the right to acquire valuable skills, and to contract with those who want our skills or with those who can organize our skills to satisfy demand), and (b) *the right to use the accumulation of valuable*

resources in the manner which is expected to be most acceptable to society in its consumer role.⁷

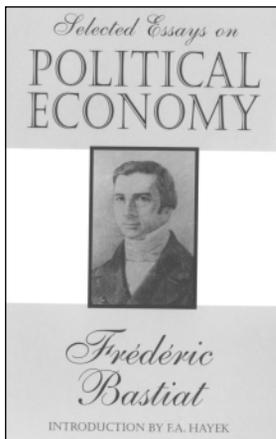
Business owners and managers can create the climate to revive individual enterprise and the incentives for efficient output. Workers can jealously guard their most valuable properties—their lives, talents, ideas, and all their faculties and apply them to obtain the greatest satisfaction.

Property, inseparable from liberty, is the key.



1. Karl Brandt, "Moral Presuppositions of the Free Enterprise Economy," *Intercollegiate Review* (October, 1965), pp. 112–13.
2. Thomas A. Petit, "The Doctrine of Socially Responsible Management," *Arizona Review* (December 1965), p. 1.
3. Kline and Martin, "Freedom, Authority and Decentralization," *Harvard Business Review* (May-June, 1958), p. 69.
4. Kline and Martin, pp. 69–70.
5. John Buttrick, "The Inside Contract System," *The Journal of Economic History* (Summer, 1952), pp. 207–08.
6. *Wall Street Journal*, March 14, 1966.
7. W. H. Hutt, *Keynesianism, Retrospect and Prospect* (Chicago: Henry Regnery Company, 1963), p. 3.

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