

Memo to GM: Why Not Fight Back?

By JEFFREY ST. JOHN

"American business, from the perspective of the world, is plainly in trouble," observed General Motors Chairman James M. Roche in a Chicago speech on March 25, "when free enterprise needs support, it finds itself the target of much irresponsible criticism that causes disunity in our society."

Does GM or free enterprise deserve support? What has the world's largest and most successful enterprise done over the last decade to communicate a consistent and intelligent understanding of its enterprising function? General Motors, like American business in general, is "plainly in trouble" because intellectual bromides have been a substitute for a sound intellectual exposition of its point of view.

Such issues as "a business philosophy" are not likely to arise at GM's annual meeting today. A majority of GM's 1.3 million shareholders doubtless were pleased at Mr. Roche's tough speech in March, but the auto giant's shareholders and the millions of Americans who own stock in a multitude of American business enterprises should demand more than higher dividends and tough speeches. In their own self-interest they should demand from management the formulation of a philosophy that communicates the meaning and value of a free American business civilization. For as GM's growing troubles with government and radical groups illustrate, the lack of such a strong business philosophy is jeopardizing operations. It is also raising serious questions whether American enterprise is slowly being transformed, approaching the point where it is run by everyone except business management.

Giants like GM have faced their growing gaggle of critics intellectually and philosophically disarmed. For example, after last year's annual meeting, Ralph Nader's "Campaign GM" gained important concessions when management agreed to appoint a black director, a board level committee on public responsibility and a group of scientists to provide environmental advice. Not surprisingly, "Campaign GM II" is back this year with more demands based on nothing more than its command of the media's attention and GM's confusion. "We leave this meeting," Chairman Roche said last year, "more determined to fulfill our social responsibility and more committed to our efforts to obtain a fuller understanding of all we are accomplishing." Such utterances reflect the fallacious view many businessmen take toward their critics. College administrators learned too late that such appeasements served to destroy free speech, academic freedom and genuine scholarship. One campus radical demand was conceded by university heads only to be followed by a fresh crop, which soon escalated to what amounted to a demand for outright surrender.

Advocates of Fascism

Mr. Nader and "Campaign GM" couldn't care less about GM's past record of "achievement" and current acceptance of "social responsibility." In reality what Mr. Nader and his allies advocate is fascism, although it is doubtful that he—or GM's management—recognizes it as such. An example is a Campaign GM II proposal that calls for constituent directors to be elected representing "consumers, workers." Only one instance

fascism, unlike socialism, leaves the industrial system in private hands, while the state regulates and tightly controls what will be produced and how. Mr. Nader's insistence that government's regulatory powers be made stronger and more severe is a further step in that direction.

Moreover, Mr. Nader makes much of the point that business doesn't really believe in competitive free enterprise and that it no longer exists in America. His proposals and those of his allies and followers do nothing toward restoration of a free market system, progressively undermined since the New Deal by growing government control and regulations. What Mr. Nader seems to want is to go well beyond the New Deal.

It is astonishing that the Nader group could produce so devastating an indictment of government failure as the one on the Federal Trade Commission, but still advance a series of assumptions and ideas about government control of the auto industry that are similar to those leading to the failure of the FTC. Mr. Nader's clash with GM over auto safety, widened later into a general assault on corporations, rested on the naive, or deliberate, misrepresentation that federal edicts are the avenue to building better and safer automobiles.

It is revealing that Mr. Nader has not only avoided an open debate of the proposals he advances, but that he fudged the pointed question put to him in his recent clash with Sen. Ted Stevens (R., Alaska). The Senator insisted that if, as Mr. Nader charges, criminality in auto design and construction is rampant, why do he and his allies not seek indictments before a federal or state grand jury? Mr. Nader replied that no district attorney had the courage to deliver up such an indictment. But our constitutional system, unlike totalitarian states, provides the means for an advocacy proceeding equitable to all parties in which each is required to present his case with facts. As a lawyer Mr. Nader must know this. Yet he has chosen the government legislative and regulatory route, strewn with the wreckage of repeated failures and abuses as particularized and identified by Mr. Nader himself.

Sharpening Intellectual Tools

Only a consistent, philosophical understanding of the enterprise function can provide management the intellectual means to make sound judgments about what is actually being proposed by its critics. GM and other American businesses talk a good game about free enterprise, but they apparently have little interest in its intellectual, philosophical and historical roots. Since most business critics are essentially intellectuals and academics, it is little wonder that giants like GM are unable to explain how their products and profits make for more "social responsibility" than all the bromides and government control they have adopted or accepted from their enemies.

Some executives like Mr. Roche assumed, until recently, that business critics were well meaning but perhaps misguided. This intellectual dodge is compounded when corporate public relations heads urge the line of least resistance. Such a shallow approach can be suicidal in a real corporate crisis such as that which struck GM in 1966 over auto safety, which struck GM in 1966 over auto safety, which struck GM in 1966 over auto safety.

Roche rightfully observed, "has dulled the reputation of business. We read and hear very little that is good about business." Did Mr. Roche understand the implication of such a confession? Apparently not; yet something is profoundly rotten with a system of public relations and trade associations that can spend millions of dollars and, in the end, have the chairman of the world's largest successful enterprise confess that "we read and hear little that is good about business."

Business' massive failure to get its story told credibly is the direct result of a failure to embrace a consistent perspective, which is basic to effective persuasion.

Few in top management seem to grasp the gravity of the current crisis, nor do their well-paid public relations advisers. There are a few exceptions. The former communications director of Ashland Oil & Refining Co., Otto J. Scott, now a private consultant, contends that a business civilization is doomed if it is unable to consistently and intellectually explain its function and how historically a business civilization is the foundation of a free society. "Such a civilization is in trouble," Mr. Scott states, "because what men do not believe they understand, they will not justify. What they cannot justify, they will not defend. And what they will not defend, they cannot maintain."

Tough Decisions Needed

GM Chairman Roche acknowledges that "free enterprise has come to a crisis—a crisis in the sense of a time for decision. Tough decisions must be made by all of us, and soon."

Perhaps the place to begin is at GM. Such decisions, however, must be made within a philosophical perspective that offers the honest profit incentive as a moral alternative to plunder by force or fraud. A philosophy that explains that profit is the product of men's minds and their creative achievement that has helped make a multitude of larger ends possible. A philosophy that helps explain that the American business civilization is the product of three consecutive revolutions over the last 200 years. The first was the American Revolution of 1776 which, besides being a revolution for individual freedom, and retention of political rights, was a powerful blow for free trade and a break with crown mercantilism that was bottomed on human slavery. It was the American Revolution that provided the climate of freedom that laid the foundation for the Industrial Revolution of the 19th century, which would have ultimately banished human slavery if the Civil War had not done so. The human geniuses of the 19th century produced a multitude of mechanical inventions that made human slavery impractical economically, and laid the foundation for what we now call today's Technological Revolution.

The three revolutions of the last 200 years is a compelling story that has as its foundation the liberty of the intellect and a free social and political landscape that allowed that intellect free rein to flourish. In the last 50 or so years that landscape has grown progressively smaller under the philosophy of coercion, or of government control, that is forever at war with the creative minds of free men.

The American business civilization will not find its salvation by adopting the philosophy of critics who hold coercion to be their first commandment. It will find its salvation only in the philosophy it has abandoned: