

## From "Laissez-faire Entreprise" to Free Enterprise

Marcel Clément

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## FROM "LAISSEZ-FAIRE ENTREPRISE" TO FREE ENTERPRISE

MARCEL CLÉMENT

In economic as in political life, poor definitions often give rise to ambiguity. And ambiguity soon leads to difficulties. Both the good and the bad, as a matter of fact, hide behind ambiguous words to the great detriment of those who use them. That is what we have often thought in listening to certain justifications of free enterprise behind which hide attempts to awaken that cult which Pope Pius the Eleventh called « the idols of "liberalism" ».<sup>1</sup>

Now, when the enlightenment of a Christian social order is a matter of life or death to society, it is more important than ever to clarify thinking and clear up misunderstandings. Indeed, if free Enterprise, which defends personal initiative against encroachments from the State, is a legitimate ideal, laissez-faire « liberalism », which instituted the law of the jungle in economy and degraded labour to the point where it was only another form of merchandise, must disappear.

— I —

### *Liberal or laissez-faire Enterprise*

In laissez-faire enterprise all is organized to make competition the essential mechanism of economic life. This competition holds sway in selling on the produce market as in buying on the labour market. The consequences of such a regime are economic disequilibrium and social disintegration. We will consider here only the case of the Labour Market. In the pure laissez-faire regime the workers are « isolated ». According to the scarcity or abundance of labour, the entrepreneur can do his hiring at a lower or higher wage. In the first half of the 19th century we saw to what excesses such a system could lead. The needs of the worker and his family were systematically ignored. The more manpower was abundant the more wages tended to be brought down.

(1) Prus XI "Quadragesimo Anno" in "La Communauté humaine", No 78.

The system was too inhuman to do endure. In spite of legal prohibitions the workers united in order to oppose the employers' strength with a force able to conterbalance it. Thus was brought into being a regime of modified laissez-faire capitalism — that in which we live.

In this structure competition still rules in the commodity market (except in the case of monopolies) but, on the Labour Market it finds itself restricted.

In the negotiation of a collective agreement Capital and Labour — face to face — are submitted to a test of strength. Wages no longer result as they do in a pure laissez-faire order from competition between workers. They result from an active interaction between the family and social needs of the labour world, on the one hand, and the needs of economic prosperity for the enterprise and fair remuneration for the entrepreneurs put forward by the Capitalist interest on the other hand.

In such a structure, it is true, the wage-earners are continually being called upon to reassert their claims. In our society it is as if the worker had two complementary obligations — first to work and secondly to justify the rate at which he works. It is difficult to imagine a condition of affairs more humiliating.

The psychological and social consequences of such an economic structure are well-known. In the enterprise, while the contributor of labour and the contributor of capital come together in a common project, — the prosperity of the enterprise, — the law of the economic jungle demands that they never cease to regard each other as rivals.

On the one hand the employers are troubled by the growing awareness which they discern in the Labour World. Some ask themselves if the employer is still master in his own house. Impregnated, without their knowledge, with the laissez-faire spirit, they feel that since the enterprise belongs to the proprietor it follows that he alone has the right to direct it. They state that this right is limited by the unions, by collective bargaining and by the State. Yearning to become again « masters in their own house », they do not see that it is from the distressing failure of this very « mastership » that the present restrictions were born.

On the other hand the workingman suffers deeply from being only a seller of labour in the enterprise. He suffers from not feeling himself associated materially as well as morally in the common production — in feeling apart from the community of enterprise expressed by the common

production. He suffers from having continually to underline his needs in order to receive a fair wage. All this makes him feel of no importance in the economic plan, particularly as he compares himself with the proprietor of the concern, or the business man whose revenues depend on technical ability and not on humane claims. Finally, he suffers in feeling that his demands, even when manifestly legitimate, are always considered by the employer as an annoyance, and the intervention of the unions and syndicates as a limitation on his employer's liberties.

It would be difficult to devise an economic regime apt to provoke social discord as mechanically or with more rigour.

— II —

### *Planned Enterprise*

Planned economy is usually contrasted with laissez-faire « liberalism » and, to a certain measure, this comparison is legitimate. The decisions of the State are substituted for the private initiative of the entrepreneur and it is thus that planned economy which means really « directed by the State » is born. However, it has perhaps not been sufficiently emphasized up till now that planned economy only saw the day as the *legitimate child of Laissez-faire economy*. In other words, the history of the last one hundred and fifty years clearly show that it was the free play of « liberalism » that resulted, necessarily, in « statism ». It is perhaps not a bad idea to examine how such a change came about.

In the first place, « liberalism » incited the workers to react. They gave up competing among themselves and organized in unions. We have seen how in 19th century Europe these unions served as a culture medium for socialism. *Consequently, it was by their impotence face to face with the employers within the laissez-faire economy that the workers were brought to accept with enthusiasm the idea of the State taking charge of the entire economic life.* If one refers to French syndicalism one establishes that the reformist tendency as well as the revolutionary tendency corresponded to the different means directed to one end — the conquest of political power by the working class and, further, the economic dictatorship by this same class of all the enterprise of the Nation. Surely a collective revenge by political means over the employer class as such!

Looking at the history of Europe in the course of the last fifty years, one notes there a develop-

ment common to all the states. Now we know the results of this development.

As the economy of a State is taken in charge by the bureaucrats one enters on the vicious circle of an accumulation of regimentation which strangles legitimate initiative, and an administrative incompetence which discourages all kinds of serious productive effort. The employer is reduced to an officialized cog who sees a policy of prices, a policy of wages, even a policy of manufacturing progressively imposed by outsiders to the industry.

If this control fails, the state no longer has ressource to its role of arbitrator between employer and workers because it has become itself an employer, so to speak. This is what is happening to-day in France in certain sections already nationalized (Coal mines).

In such a system what happens to the employer's psychology? It changes progressively towards a complete indifference, if not towards active dislike and rebellion. As for the workers, they find themselves victims of this break-down of employer morale. They no longer have any recourse against the abnormally low standard of living to which a poor management derived from the State has reduced them. It is significant indeed to note that where the State has taken charge of the economic life of the nation, the workingman's condition has been particularly hard. The general poverty is only made enduring by a propaganda which promises the Golden Age for the following generation. (The case in three proletariats — Communist Russia, German National Socialism and Italian Socialist Fascism).

In short, the balance sheet of the different Planned Economies is expressed by the economic ruin of the countries where they have been installed, by the disappearance of the spirit of enterprise and by regimentation of the workers, misled by those who govern the country in their name.

This unhappy destiny of planned enterprise is well-known. Less well-known is that fact that it is the internal evil influence of the « liberal » regime itself which has regularly given rise to directed utopias and that in consequence, one cannot too strongly warn Canadian employers on this point. Those who to-day stubbornly propagandize for free enterprise because they fear with reason to see, little by little, planned economy the master, should take care not to, more or less unconsciously, reinforce in the name of liberty of enterprise the laissez-faire attitude towards conditions of labour. Because there are laws in social sciences and one can be sure that the more the workers see the employer stress a return to « liberalism » the more

they will look to the state. Thus it is possible to clearly formulate the position — To strengthen « liberalism » is to prepare « dirigism » in the long run. To institute free enterprise is to reject at the same time both « liberalism » and « dirigism » because free enterprise sets up the Christian spirit within the labour community.

—III—

### *Free Enterprise*

The « liberal » or laissez-faire economy is not an economy of freedom but an economy of license. Planned economy is not a rational economy, it is an economy of restraint. Free enterprise should therefore be defined in contrast to both laissez-faire and planned economy because real liberty is defined as much by its difference from license as by its difference from restraint.

In the extent to which it is contrasted to laissez-faire enterprise free enterprise realizes the conditions of the liberty of all those who take part in common work.

Liberty should be defined first of all from the employer's point of view. From that it is evident that union action and the negotiating of collective agreements are not at all there to limit employer's liberty but only to prevent excesses. To demonstrate this one must distinguish carefully between the social and the economic roles of the employer. On the social plan the employer is the head of a human community. He has charge of the moral, physical and family living conditions of his workers where these conditions depend upon him. As such his liberty has no other scope but free will; he is free to fulfill or not to fulfil the social duties which fall on him. On the economic plan, the employer enjoys real independence. He determines the economic aims of the enterprise and he sets in motion the economic policy capable of realizing them. Above all he is the core of the working community, deciding not only the division of tasks but as well conveying the necessary enthusiasm to each and all. However, here a problem presents itself: these are not machines which the employer directs but men, men who feel and judge. The employer's liberty then never consists in mechanising completely the working life of his men. Free enterprise indeed should fulfil the optimum conditions of life for all those who are part of it. It is only to the extent that the employer « tempers somewhat the labour agreement by elements borrowed from the partnership contract » that he will succeed in making

of his workers real partners on the material plan (structural reform) as on the moral plan (the employer, chief worker in the enterprise.) Then these will realize an authentic christian social community and no longer only a commercial transaction in human labour.

As a matter of fact, it is also necessary to define free enterprise from the point of view of the worker. That man is not free who is under the continuous anxiety of making a decent living for himself and his family. That a man is not free who cannot meet with his working companions for the purpose of examining common problems. These two essential liberties were refused by law to workers under pure « liberal » enterprise. So there was the possibility of license on the employer's side — license to beat down wages below a livable minimum, license to use the law to forbid workers' unions. Naturally, the employer was not compelled to act thus but a regime of ruthless competition presented a strong temptation. To-day, although the law, in a Christian spirit, favours social progress there still exist « neo-liberal » enterprises where union action is negligible and where collective agreements do not exist. To hasten the evolution of these enterprises would represent an authentic step towards free enterprise — free enterprise which develops all the potentialities of the human personality.

On the other hand, in so far as free enterprise is contrasted to planned enterprise, it will find the conditions of its liberation only in industrial organization. Indeed, just as the best method to avoid the arbitrary fixation of wages by the State is to let the interested parties negotiate collective

agreements among themselves, so it will be possible to prevent the State taking charge of the national economy by the development of organized industrial bodies which themselves will establish the general policy of the industry. « Liberal » enterprise engenders a competition which puts the more feeble enterprise at the mercy of the strong. Planned enterprise sterilizes the initiative of the real economic leaders in delivering them over to incompetent functionaries. Free enterprise can only expand within an industrial organisation where the members of each industry consist of those who propose to adopt a common point of view in the common interests of industry.

In order not to be directed by the State, this *outsider*, cannot enterprises direct themselves freely, granted the growing interdependence of modern economy which conditions them to *common* direction and to the practising together of *fair prices* and *fair wages*.

\* \* \*

At the end of this analysis it is possible to disengage the essentials of the Christian spirit face to face with economic and social problems. Laissez-faire doctrines have made of the fight between unequal forces the essential rhythm of all economic life. Planned economy has made of state control the fundamental technique of the economic life. The social christian order charges those concerned themselves to compose in a brotherly spirit their natural differences. Of the three formulae it is clear that only the last respects the liberty of Man.

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## *Structural Reforms in Enterprise*

A booklet containing a reproduction of the articles published in the "Bulletin des relations industrielles" by Messrs P.-E. Bolté, Marcel Clément and Gérard Dion will soon be obtainable at the Department of Industrial Relations of Laval University.