

Henry Ford, Upton Sinclair, and Limits on Consumer Choice

by Richard B. Coffman and R. Ashley Lyman

Early in the twentieth century two prominent Americans, one a capitalist, the other a socialist, enunciated surprisingly similar views on the relationship between product differentiation and consumer welfare. The capitalist, Henry Ford, had revolutionized the young automobile industry, using mass-production techniques to provide cheap cars to American consumers. But Ford did not believe in offering product variety. He produced only one model, the famous Model T, and, in his typically blunt way, stated his policy on consumer choice of colors as: “Any color, so long as it’s black.”¹

During the same era the socialist novelist Upton Sinclair published a popular and influential novel, *The Jungle* (1906), which stated his views on the unimportance of consumer choice. Sinclair felt variety in consumer goods was a frivolous waste of resources, which could be eliminated under socialism. One of his socialist characters says, “consider the waste in time and energy incidental to making ten thousand varieties of a thing for purposes of ostentation and snobbishness, when one variety would do for use!”² And another socialist speaker says, “Since the same kind of match would light everyone’s fire, and the same-shaped loaf of bread would fill everyone’s stomach, it would be perfectly feasible to submit industry to the control of a majority vote.”³

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Ford and Sinclair both actively opposed variety in consumer goods. How did their ideas fare in their respective economic systems, capitalism and socialism?

Sinclair dabbled in politics, but never acquired enough power to implement his ideas. However, his socialist brethren later took control of Russia, Eastern Europe, China, and Cuba, as well as other countries. Thus while there were no socialist economies when Sinclair wrote *The Jungle*, the world since has seen many actual socialist economies at work. None used democratic votes to determine the kind of matches or bread produced, but all used government to make these determinations, and all offered consumers very limited choices within product categories.

Socialist governments adroitly rejected majority rule in consumption decisions. If everyone wants the same kind of bread, why even have a vote? Everyone knows what everyone wants, so just let anyone make the decision. Well, not just anyone: officials of the Socialist Party should make the decision. The argument that socialists with the interests of the masses at heart could easily make decisions for them was often advanced as a rationalization for the political dictatorships that dominated socialist economies in the twentieth century.

Although rejecting majority rule, the socialist elite did institutionalize the one-size-fits-all consumption doctrine espoused by Sinclair and others. Socialist governments forced consumers to all consume the same

goods, or none at all. Perhaps the most compelling image is that of millions of Chinese communists, all dressed in the same drab, ill-fitting clothing.

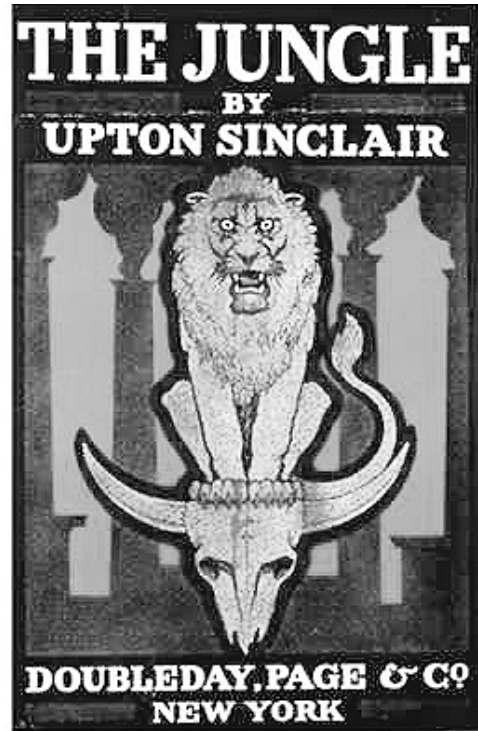
But the one-size-fits-all doctrine is rather odd, and raises an interesting question: Why should it be assumed that everyone wants the same things? Where is the evidence for this? In fact, there is plenty of evidence against Sinclair's assumption. When people are given choices among kinds of matches, bread, cars, houses, and so on, as they are in market societies, they do not all choose the same things. They choose a variety of products, revealing that their tastes and preferences are not identical. And in economies where variety in consumer goods has been limited by central planners, people quite eagerly pursue it when it becomes available.

Stories of Russian consumers trying to buy blue jeans and other personal belongings from Western tourists were commonplace for many years before the fall of the Soviet Union. In the early 1980s when communist China liberalized its economy to allow more consumer choice, Chinese consumers immediately began to reveal the variety of their tastes. Drab clothing was among the first things to go. A Chinese newspaper cheerfully reported: "The times of greys and blues and uniform dressing are gone forever."⁴ Another observer reported: "At the television counter of the No. 1 department store, a salesman named Wei Teng Jun referees while his customers debate the merits of the 10 brands made in Shanghai. 'They are very brand conscious,' he says."⁵

A longing for both plenty and variety in material goods was certainly an important element in the social and political unrest that brought down the socialist systems of the Soviet Union and Eastern Europe. The one-size-fits-all doctrine did not serve consumers well, but once institutionalized in socialism, it stayed in place for decades. Thus, socialism was quite kind to Upton Sinclair's anti-variety doctrine.

Consumers under Capitalism

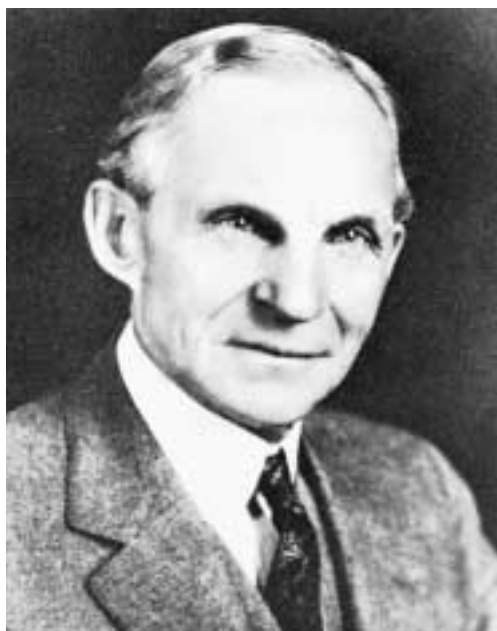
How did capitalism treat the somewhat



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similar ideas of Henry Ford? The answer is found in the history of the U.S. automobile industry in the 1920s and '30s. Early on, Ford's simple, cheap, black Model T dominated the automobile market, sending Ford's market share soaring to 59 percent in 1921.⁶ General Motors, in contrast, was a small firm at this time, with only 16 percent of the market in 1924.⁷ However, unlike Ford, it had embarked on a course of product differentiation, offering cars in "a wide variety of makes, models, colors, interiors, and equipment," and making annual model changes.⁸ By the mid-1920s consumers were deserting the standard black Model T in droves and buying instead the more varied, stylish, distinctive cars sold by GM. By 1927 GM's market share had rocketed to 43 percent, while Ford's had plummeted to about 10 percent.⁹ Belatedly, Ford scrapped the Model T and introduced the Model A, recapturing some of its market share over the next three years. However, in time the Model A became as boring to consumers as the Model T had been, and Ford's market share began to decline again, never to revive

COURTESY AUTOMOBILE MANUFACTURERS ASSOCIATION INC.



Henry Ford (1863–1947)

in this era. By the end of the 1930s GM's market share was approaching 50 percent, while Ford's was below 20 percent and still falling.¹⁰

In a competitive free-market economy a Henry Ford has no power to force all citizens to consume the same products. Rivals like GM are free to enter the market and compete by offering variety. Consumers, in turn, are free to choose among products. If Ford had been right that consumers were not interested in color and variety, his sales would have gone up and he would have made profits. Since he was wrong, his business and his fortune suffered.

Capitalism versus Socialism

The contrast between capitalism and socialism could not be more pronounced. Capitalism provides a mechanism for testing the validity of ideas like those put forth by Ford and Sinclair. Capitalist entrepreneurs must back up their ideas by putting their money at risk. There is competition among entrepreneurs and thus among the different theories about what consumers want. The market carrot-and-stick mechanism rewards the correct ideas with profits, and punishes

the incorrect ideas with losses. Thus consumers are the ones who determine which ideas and economic theories survive in the marketplace.

Under socialism, however, political power determines economic patterns. Political figures and intellectual theorists who gain control are able to impose their ideas on consumers. The people with political power have a monopoly on that power, and thus do not allow other ideas to compete with their own. Ideas like those of Sinclair survive and dominate, not because they have passed a test of serving consumers well, but because they have the backing of the police power of the state, and, sometimes, of a police state. Bad ideas can survive so long as political power survives.

The implications of this contrast between capitalism and socialism were strikingly visible in the hours after the fall of the Berlin Wall. East Germans, victims of a system that had enshrined Sinclair's vision in drab uniformity, streamed into West Berlin and were stunned by the quality and unimaginable variety of goods available there in the stores. If the Henry Fords of the capitalist world had had their way, West Berlin would have been nearly as drab as East Berlin. But happily, capitalism provided a marketplace forum for more imaginative entrepreneurs to challenge the Henry Ford view of the world. Because the challengers prevailed, what East Germans feasted their eyes on in West Berlin showed the astounding contrast between 40 years of market-driven product development and differentiation in the West, and 40 years of politically driven product stagnation in the East. □

1. Robert Lacey, *Ford: The Men and the Machine* (Boston-Toronto: Little, Brown and Company, 1986), p. 284.

2. Upton Sinclair, *The Jungle* (New York: Buccaneer Books, Inc., 1984 [1906]), p. 333.

3. *Ibid.*, p. 331.

4. June Kronholz, "Buying Spree," *Wall Street Journal*, October 26, 1983, p. A1.

5. *Ibid.*

6. Arthur J. Kuhn, *GM Passes Ford, 1919–1938: Designing the General Motors Performance-Control System* (University Park, Pa.: Pennsylvania State University Press, 1986), p. 312.

7. *Ibid.*, p. 313.

8. *Ibid.*, p. 89.

9. *Ibid.*, pp. 312–13.

10. *Ibid.*, p. 312.