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Would the Poor Go Barefoot with a Private Shoe Industry?

It is said that while we may rely on private initiative to supply "nonessentials," some things are so important to a decent life that we cannot trust the vagaries of the competitive market. Some people would not get the vital product or service. The only solution, supposedly, is government provision to all, often free of charge. The problems with this argument, as well as the great benefits of a capitalist economy, are shown by examining the shoe industry.

Most would agree that shoes are essential to a comfortable or decent existence. Today even the poorest have shoes, and most people of modest means have several pairs. Shoes are available in an enormous variety of types, styles, and colors, at modest prices. It was not always so. In America just over 150 years ago, shoes were made locally, on an individual basis, by skilled craftsmen. This may seem idyllic, but it was not. They were extremely expensive in real terms, so much so that they could even be included in a will. Most people had only one pair that would be made to last for years. The poor had no shoes; indeed, being without shoes was one of the classic marks of poverty.

Things began to change in 1848 with the invention of the first shoe-sewing machine, and shoemaking moved from the home and small workshop to factories. However, making shoes was complicated and difficult to mechanize. In particular, the process of "lasting," by which leather was molded to fit a model foot, proved a great challenge. Moreover, the capital cost of the new machinery was a barrier for many small shoemaking firms.

Two men were to transform this situation in the United States and subsequently elsewhere. The first was Jan Matzeliger, born in 1852, an immigrant to the United States from Dutch Guiana (now Suriname), and the son of a Dutch sea captain and a slave woman. While working in a shoe factory in Massachusetts, Matzeliger devised a method of mechanizing the lasting process. He perfected it after years of work and great expense, and obtained capital to create a production model from two local investors, Charles H. Delnow and Melville S. Nicholls. Matzeliger got a patent in 1883. His machine cut the cost of producing a pair of shoes in half. A hand laster could produce no more than 50 pairs a day. Using his machine, one could produce up to 700 pairs. Matzeliger and his partners set up the Consolidated Lasting Machine Corporation, in association with two new investors, George A. Brown and the second main figure in our story, Sidney W. Winslow. Matzeliger sold his patent rights to the newly formed corporation in exchange for stock, which made him a wealthy man. He died from tuberculosis in 1889.

Winslow was a business genius. The owner of a small shoe factory, he transformed the industry by a crucial business innovation. In 1899 he engineered a merger of the three main shoemaking-machinery

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companies to form the United Shoe Machinery Corporation (USMC). Instead of selling its machines, the USMC leased them, which meant that shoe manufacturers no longer bore the capital cost, including depreciation, of their machinery. USMC also relieved them of much of the maintenance cost.

The combination of technical invention and business innovation transformed shoemaking. The cost of shoes fell to a fraction of what it had been, while the wages of workers more than doubled by 1905. Thanks to the ease with which producers could obtain the machinery, the industry became very competitive, which encouraged innovation and kept down costs. This led to the situation we enjoy today where even the poorest have shoes and the variety constantly increases. When leasing was applied outside the United States, often through arrangements with the USMC, the industry was transformed there also.

Let us suppose now that shoes were supplied by government. We have much evidence of what the result would be. Everyone would have shoes, but the quality would be poor. There would be almost no variety (except of the Army kind—two sizes: too large and too small) and certainly no "fun" shoes. The cost would be high, and there might even be rationing. If some private supply were allowed, we would have a few private firms providing high-quality shoes at exorbitant cost to the rich and the ruling elite.

Privatize Shoe Production?

Anyone suggesting that perhaps private enterprise should produce shoes more widely would be met with the indignant response: "What! Do you want the poor to go without shoes?" This, of course, is precisely the situation we face with many services provided predominantly or exclusively by government, notably education. The point is that once a product is supplied by government, we find it hard to imagine that it could be provided in any other way without disastrous results. The assertion that a product is essential is supposed to end the argument.

The story of the U.S. shoe-machinery industry also highlights several other points. One is the critical part played in history by productive and creative individuals whose names are not remembered or lauded in the way that those of monarchs, politicians, and generals are. Sidney Winslow did more to benefit millions of people than many "public figures," yet is almost forgotten. Another is the way a market economy undercuts prejudice. As a black man, Jan Matzeliger faced much prejudice, particularly in his social and religious life. But in the business world his color did not matter, and he had no trouble finding investors. Only his talent and application mattered.

Finally, the story of the USMC shows the bad effects of misguided public policy. An enormously successful business, worth over a billion dollars by 1960 and a model employer, United Shoe was attacked by the Department of Justice in a famous antitrust case, was broken up in 1968, and today no longer exists. (Ironically, the leasing policy was targeted as a tool of USMC's alleged monopoly practices.) The U.S. shoe manufacturing industry has also mostly vanished.

So when you put on your shoes or go to buy a pair, be thankful and remember Jan Matzeliger and Sidney Winslow. Even more, be thankful that this essential product is not provided by government and imagine what services provided by the government could be like if the contemporary equivalents of those two men were let loose on them. □