THE POLITICS OF INDUSTRY

GLENN FRANK

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A Foot-note to the Social Unrest

BY

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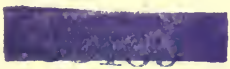
TO

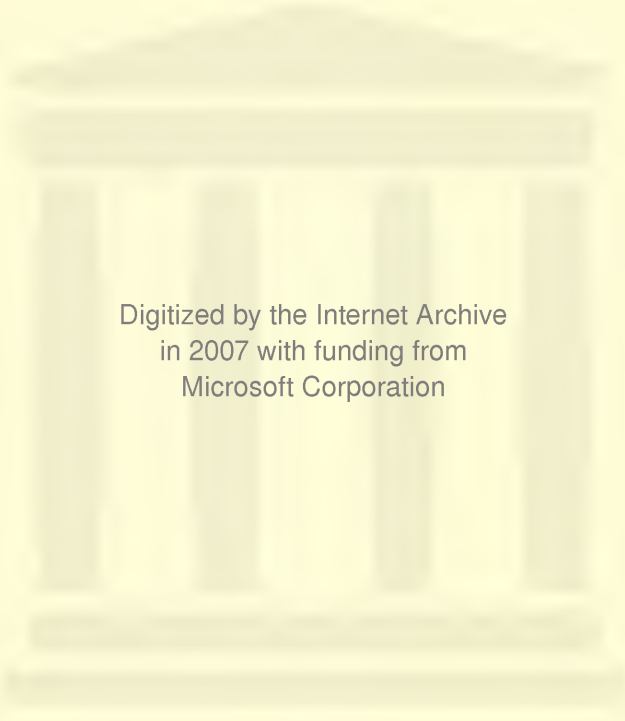
THE TWO MEN TO WHOM I AM MOST PROFOUNDLY INDEBTED

GORDON FRANK

AND

AMBROSE HENRY FLOOD SMITH





FOREWORD

There is clear necessity that, in this day of unrest and revaluation, the leaders of American business and industry face fresh problems with fresh minds. The real center of social authority has so far shifted from politics to industry that the tone and temper of our national life are more nearly determined by the way the business and industry of the country are conducted than by the way the government is conducted. The statesmanship or stupidity of business men is of more social significance than the statesmanship or stupidity of politicians.

The recognition of this fact brought an interesting task into my hands. During the past year it has been my assignment and my pleasure to try to interpret the mind and attitude of the more forward-looking business and industrial leaders of this country in relation to the social and industrial unrest and the pervasive spirit of change that marks our time. I have

concerned myself, not with the rank and file, but with those anonymous liberals of the business world—the men who may perchance be the pioneers of a new order of business and industry. I have tried to catch their spirit rather than quote their words. This volume is the result.

The five papers appearing in this volume have before appeared in THE CENTURY. Here they are slightly revised, and the titles, in all but one instance, changed. I am deeply indebted to the business and labor leaders who have permitted me to counsel with them in the preparation of this foot-note to the discontent of our time—the un-named collaborators in the writing of these papers.

GLENN FRANK.

NEW YORK, June, 1919.

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THE POLITICS OF INDUSTRY

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I

A NATION OF IMPROVISERS

A warring nation unprepared for war—A peaceful nation unprepared for peace—The spell of the immediate—Learning to anticipate and to discount crises—Immediate problems of transition economics—Long time problems of policy—Unity of opinion in war-time—Diversity of opinion in peace-time—If we had a Peace Book.

WE have come near to missing an appointment with destiny through our paltering indecision respecting the issues of readjustment left in the wake of the war. We learned in a costly school what it means to become a warring nation unprepared for war; we are now in the equally embarrassing position of a peaceful nation unprepared for peace. No small share of the responsibility for our plight is traceable to the cowardly conception of morale that dictated the subject and determined the direction of our public thought during the war. We manifested an intolerant impatience with

any proposal that did not relate, or purport to relate, to the effective prosecution of the war. We deliberately chose to be a nation of single-track minds. In a manner we shall be heartily ashamed of some day, we subjected American opinion to propagandist organizations manned, too frequently, by hysterical professors who had taken a leave of absence both from their universities and from their scholarly judgment. There was, of course, a show of reason in our procedure. When the foundation of one's house is being undermined is, of course, no time for the complacent discussion of interior decorations. For all their importance in normal times, there were many rights and causes which had to adjourn their claim upon the nation's attention until the urgent business of war was concluded. The scattered energies of the nation had to be knit and kept knit into a forceful unity.

With this necessity in mind we attempted, by ruthless concentration, to rule out the wasting even of thought on non-essentials. But a concentration that found no time for a systematic study in advance of the social, economic, and political problems that we abruptly faced when the war ended is now seen to have been a vi-

sionless and dangerous policy. There is such a thing as the treason of misguided emphasis.

As a people we have never quite acquired the habit of preparing well in advance for even the most predictable demands of the future. We are in many ways a nation of improvisers. Our social and political thinking is too often done under the spell of the immediate. We wait until a crisis is upon us, and then hastily provide some expedient which we permit to crystallize into a tradition that becomes an obstacle to consistent progress. But our democracy must in self-defense learn to anticipate and to discount crises. Our social and political policies must not be created over night in the heat and hurry of a critical situation. They must be got ready before the crisis develops. The wastefulness of the trial and error process must be minimized by a public mind that can think of two things at once, especially when those two things are as vitally inter-dependent as a day and the day after.

Nowhere has this principle applied with greater force than to the necessity for our having given sustained attention to after-the-war problems even while we were most immersed in during-the-war problems. The problems of

war and the problems of peace were not joined cleanly like flag-stones or bits in a mosaic; there was an overlapping, a blending. They should, therefore, have been dealt with abreast, not tandem.

When peace was declared, the United States was confronted with many serious domestic problems; immediate problems of transition economics that called for measurably quick action, and long time problems of policy, the adequate treatment of which promises to involve a reëxamination of the foundations of our political and industrial polity. A categorical listing, under these two headings, of a few of our national problems will serve to visualize the challenge to our national ingenuity involved in the transition of American life from a war footing to a peace footing.

Among the problems of transition economics that became immediately pressing with the ending of the war may be listed:

1. The demobilization of our Army, involving the concurrent demobilization of our munitions workers and all others who were engaged in war work. As part of this demobilization process we must deal with the problem of unemployment which may attend demobil-

ization unless sound policy and adequate organization are brought to the question; here appears the necessity for a net-work of carefully conceived and executed surveys that will show the vocational adaptabilities of the returning soldiers and the man-power needs of American industries and farms; this demobilization raises afresh the problem of a reorganization of many American industries along lines that will better meet the problem of seasonal employment which contributes so much toward unemployment at certain times.

2. The larger implications of shifting American industrial organization from a war footing to a peace footing, involving as that does the determination of the new uses to which war plants shall be put; the charting of the field of commodity demands that were adjourned during the war but which now may serve to absorb the output of the increased productive machinery and power brought about by the war; and the necessary readjustment of machinery and personnel to the new output. Here are likewise involved the intricate problems of prices and wages which will so largely determine the satisfaction or discontent under which the process of transition will be carried on.

3. The reëducation of crippled and semi-disabled soldiers and the fitting of them back into the industrial life of the nation.

4. The prompt, if not final, determination of the basis upon which we purpose to conduct the transportation and communication systems of the country.

5. The possible uses of reclaimed lands for soldier and further civilian settlement.

6. The handling of raw materials, involving as that does a study of our duties and interests in the matter of supplying the European demand for raw materials, a study of the raw materials we shall need from foreign sources and the understandings that are to be reckoned with in getting them, a study of the disposition of the raw materials left in the hands of the Government at the termination of the war, and the underlying problem of the regulation of the movement of raw materials.

7. The transfer from war exports to their substitute peace exports.

8. The organization of American production to meet the demands growing out of the physical reconstruction of the devastated regions of Europe and the related demands of industrial reconstruction.

9. The determination of American policies that will meet the centralized purchasing methods and organizations being instituted in Europe.

10. The sound adjustment of American tariff policy to actual conditions in such a manner as will protect the legitimate interests of both producer and consumer and at the same time not run counter to our international responsibility for helpfulness in the physical reconstruction of Europe and the fairest of fair play in the next few years while the nations of Europe are commercially getting on their feet after the disrupting experience of the war which was ours no less than theirs; a tariff policy that will neither play a rôle of super-sentiment nor lie open to the charge of purposing to capitalize advantages accrued from the waging of an unselfish war.

11. The administration of our augmented gold supply in a manner that will best reëstablish international credit and stability,—and a score of equally vital problems.

This is a large enough number of the immediate transition problems to throw into contrast with some of the long time problems of policy which the war-altered world has forced

upon us. Of these latter it is sufficient to mention the following:

1. A national labor policy. We need frankly to face the necessity for finding and formulating the policy that will most nearly insure continuing harmony between employers and employees. The whole question of our national progress and happiness is bound up in that. Dare we hope for an ultimate solution from the processes of conciliation as exemplified in the work of our National War Labor Board, from the give and take of collective bargaining and a balance of power see-saw between capital and labor, or does the way out lie along the road toward some sort of industrial self-government?

2. A trust policy. We need to determine once for all whether the best future for American national life demands centralization or decentralization. If the conclusion gives the verdict to centralization, then we must consider how the fruits of centralization may be guaranteed for the common good instead of private interests in an unsocially limited sense.

3. A foreign trade policy. We need to consider the sort of foreign trade policy that will best consolidate the gains in moral leadership

which we have made during the war in international affairs. But we need to apply with a new intensity the most scientific methods to the study of our past foreign trade methods with the view to putting them upon a basis of greater efficiency for the keen contests which lie ahead. I do not think American foreign trade should be turned into an agency of exhortation in behalf of American ideals to the exclusion of a straightforward and aggressive contest for our share of the commerce of the world,—such an adventure would be taken advantage of as much as it would be appreciated,—but it does need to be remembered that the exporter, in a peculiar sense, holds the honor and ideals of his nation in his hands. And all in all our foreign trade should clarify and not contradict the international ethics for which our statesmanship has so consistently stood throughout the war and in the considerations of peace.

4. A research policy. We need to organize the research abilities of the nation in a manner that will put a foundation of fact under our political and industrial calculations to a degree that we have not heretofore reached.

5. A national educational policy. We need

to throw a concentrated national attention upon the adjustment of our educational system to the new demands of this new day. We need to insure to the average child the opportunities of vocational education, not a vocational education that trains in technic alone and mechanizes the mind of the child, but a vocational education that awakens the creative impulse. We need to rid our educational system of the elements of standardization and quantity production that have blighted it to such a marked extent in the past. We need to reconsider the curricula of our colleges and universities to the end that the college graduate may be better oriented to his world and may face his problems not merely with the possession of a number of unrelated blocks of information, but with that spacious mindedness which comes from a truly liberal education.

6. An Americanization policy. The need here is for something more than social settlement classes in English. We must somehow infuse the immigrant with the American spirit and awaken in him a fundamental respect for American institutions. Of course we may have to change some of our institutions before succeeding fully in that venture, but the fact remains

that we have failed in this respect in the past. Some of the most disturbing characters in the red revolutions of Europe are men and women who lived in our midst before the war and went back to Europe with a sneer on their faces saying, "Are we going to organize a Republic after our revolution? No. The United States is a Republic." Whether these men were right or wrong in their sneer is beside the mark I am aiming at here, which is to state the challenge which the presence of a large foreign born element in our midst makes to us for a genuine Americanization policy.

7. The underlying problem of striking a just balance of judgment and legislation between necessary emergency measures and fundamental solutions, so that in the end we may be the beneficiaries of a boldly conceived and statesmanlike reconstruction instead of a temporizing patchwork of palliatives.

What we did not fully reckon with in advance is the fact that political leadership is in a less favored position for dealing with these problems of reconstruction than it enjoyed in dealing with the problems of war. During the war the necessity for presenting a solid front to the enemy drove diversity of opinion to cover and

gave constituted authority a measurably clear field for action, except for sporadic flurries of criticism. In war time the issues were subject to relative simplification. There were not the usual complications of party and class interests. Particularist claims were postponed in deference to the supreme issue of the emergency. Speaking in the large, there was in war time one clear road to an agreed-upon goal.

But all that changed over night when peace came. Pent-up differences of opinion were released. The embargo on partizanship was lifted. The forces of reaction remobilized. Radicalism resumed its rights of criticism. Guided by the instincts of self-defense and self-expression, the various classes and points of view that comprise our national life gravitated toward common centers in support of common interests and ideas. There is not the unity of opinion about the goal of national effort that obtained during the war. There is even less unity of opinion about the roads leading to any goal. Issues are so numerous and complicated that political leadership finds it difficult to mold public opinion by occasional speeches as in war time. And above all, the difficulties and dangers are at our very door; there are no Allies

to hold the line while we are getting ready to act.

The problem of physical reconstruction is not an extensive and pressing problem with us, as with France and Germany, for instance; but we face a difficult and important time, nevertheless. And what is most important of all, the end of the war has given us the chance to do many unprecedented things that will set us forward for a generation in political and social organization if we act while the flush of the creative moment is on, while the spirit of readjustment is still in the air, and before the old social inertia and our everyday spirit take possession of us once more. The public mind is to-day highly sensitive to suggestion, because the issues of politics and industry to-day are recognized as touching vitally the personal future and fortune of every American. We must somehow contrive to overcome the handicap of unpreparedness for peace if we are not to be captured by catch words, ruled by snap judgment, and rifled by special interests.

A fatal trust in our facility for improvising brought us to the end of the war without any adequate advance preparation having been made, either by the government or by voluntary

groups, for the readjustment period. We have no American "peace book" affording a sound fact basis upon which our political, business, labor and educational leadership can operate. If we had such a "peace book" it would go far toward preventing a capture of the public mind by the special pleader and the demagogue. It would give a sweep and grasp to the legislative thought of the country beyond anything that can be hoped with each legislator himself attempting to visualize the entire problem. It would be invaluable in helping every business man, labor leader, and educator to orient his problem and policy to the whole situation. It would induce among us the habit of thinking nationally; and that we must do if we are to meet in an adequate manner the new demands of the new world that this war, with all of its tragedy, has created.

II

THE BACKGROUND OF RECONSTRUCTION

A social doomsday—The myth of a fixed world—The contagion of change—Latent aspirations find voice and vitality—Devising new policies for a new world—The man of affairs turns social scientist—A time of transition—A century of progress in a decade—Burbanks of business—Revolution balances the ledger—Retained attorneys for dead men's policies—Knowing enough about all things to keep one's own work in right perspective—The social waste of our scrap-heap for leaders—A nation that knows where it is going.

WE are a cautious people, skeptical of easy generalizations, but it is now recognized on all hands that the war has shaken down about our ears an old order of things. The sociologist has been talking about some such doomsday for the last decade, but his predictions have not been taken seriously as the basis for practical policies by men of affairs. Now, however, we are in actual grapple with a thousand and one newly released forces which we must either master or be mastered by in the determination of a new order of things. It is not the analyses of the class-room, but the ac-

tualities of the market-place, that have set everyone talking about a changing order.

There is a disposition in many quarters, however, to minimize the importance of American reconstruction—a disposition to say that it is well enough for Great Britain to set up the elaborate machinery of a ministry of reconstruction because Great Britain has been on the edge of the battle-field for four and a quarter years and the whole texture of her life has been disarranged; but that the brief valor of America's war-making, while it involved extensive administrative readjustments, did not place such a strain upon the social conceptions and industrial relations of American life as to require of us the fundamental reëxamination of things in general which Great Britain seems to have been feeling her way toward. There is a disposition to feel that we shall need to readjust the business of American life, simply as an administrative shift from war to peace, but that there is no new reason for reëxamining the bases of American policy in business, industry, education, and other fields. And there is some show of reason in that disposition if reconstruction is regarded as simply the rearrangement of things that war has disturbed, as one

might tidy up a room which a group of rowdies had occupied and littered up. But the fact is that the war is only one of many factors that have made this a transition day in history. The war did not of itself make this a time of transition; the war merely dramatized and gave added urgency to processes of readjustment and revaluation that were already under way and of which we as a people were but indifferently aware. Before the war we were more of a sheltered people than we like to admit, creatures of an isolation that had been quite as much a matter of mind as of geography. The very bigness of our country had worked against vivid concentrations of our social and industrial problems that might have made us more keenly aware of the forces of change that were getting hold of the world. If we were not unacquainted with the ferment that was working throughout Europe, we were at least living in the quieter suburbs of its disturbing effects.

Before the war a long period of peace had lulled us into a false sense of security. Except when we forced ourselves to analysis, most of us determined our policies and ordered our actions upon the assumption that the habits of men and nations were relatively fixed or at

least predictable. Despite the social and industrial discontent, the political ferment, and the ceaseless readjustments of science which marked the past generation, we went about our affairs with a certain uncritical confidence that the institutions, policies, and forces of the world were labeled and catalogued with fair clearness, and that the direction of progress had been so charted that we could lie down at night and in the morning know just about how far and in what direction the world had moved while we slept. Then suddenly there burst upon the world this war, with its consequent results of revolution and revaluation. In the four and a quarter years of its course so many accredited theories of government and industry have been scrapped, so many readjustments effected, and so many new forces released, that now when we lie down at night we have no assurance of the kind of world to which we shall awaken in the morning. Under the pressures of war it seems that civilization has left its comfortable home of well-ordered habits, broken through its crust of custom, and in the spirit of adventure and experiment taken to the open road. The whole world is yeasty. The latent and brooding aspirations of a century

have found voice and vitality. The spirit of change which has entered the counsels of the world, in its several degrees of intensity from moderate reform to Bolshevism, is not a localized phenomenon which the rest of the world can watch in a detached way, as it might a laboratory experiment, postponing judgment and action until the experiment offers proof of its soundness or its danger; this spirit of change is a contagion which eludes constituted authority and crosses frontiers at will. It is no trick of rhetoric to call this a "time of transition." The phrase runs through bank bulletins and business men's interviews about as frequently as through the literature of theory, and no one will indict bank bulletins for fervid imaginings.

This spirit of interrogation and change which marks our time will for the next few years at least constitute the very atmosphere which every policy of government, business, industry, education, and religion must breathe. It is of primary importance, therefore, that every man who carries responsibilities of administration in any department of American life gain a working knowledge of the new forces, new ideas, and new alignments which are to give the next few years their character and deter-

mine the success or failure of every individual or corporate plan. It has long been a truism of foreign trade that the business man must study his market, not merely market quotations but the character and customs of the people to whom he would sell, their likes and dislikes, their whims; that his salesman must adjust his manners and methods to the etiquette of the foreign purchasers; that to be *exotic* either in his goods, their package, or their presentation is bad business. The threadbare burlesque of the failure to study one's market is the exporter who would try to sell furs in the tropics and fans in the arctic zone. To-day that principle carries a wider application. Our problem is more than one of adjusting our goods to a new market; our problem is that of adjusting all of our fundamental policies to a new world.

The most practical thing, therefore, that the man of affairs can do at this time is to turn social scientist in dead earnest until he has surely seen, understood, valuated, and found a basis for reckoning with the complicated and far-reaching implications of this new era that has been germinating for a generation and which the war has called suddenly to life. As a prac-

tical service to practical men, therefore, I want to make several more or less unrelated observations upon times of transition in general and this one in particular. I do this even at the risk of appearing abstract and discursive, for in my judgment the larger implications of the spirit of change, of experiment, of reconstruction which is stirring throughout the world are of as immediately practical concern to the business man as the figures on his latest cost-sheet, of as urgent interest to the servant of government as the latest election forecast, of as much moment to the educator as current endowment prospects. In fact, it is the action of the elusive human, social, and, shall I say, spiritual forces loosed by the war that may more nearly determine the success or failure of a given political, social, or industrial policy than efficiency or blundering in the mechanics of administration.

I shall ask the reader to go along with me as leisurely as he may and not grow impatient for "practical" deductions concerning the next problem that awaits his decision at the office. It would be a reversal of intelligent planning to discuss specific policies before analyzing the situation the policies must meet.

Here, then, let us set down some of the things that mark an epoch of readjustment, like the sixteenth-century Reformation, for instance, but more particularly our own time.

A time of revaluation which bridges two orders of things always makes possible a speeding up of evolution, an opportunity which, as history regrettably records, has not always been taken advantage of. This is not in violation, but in fulfilment, of natural law, for biology reckons with the possibility of quick growth as well as slow growth; biology is based upon the twin laws which have been called the law of gradualism and the law of the sudden leap. American society is just now at a point where the law of the sudden leap may come into valuable play unless it is deliberately defeated by reactionary interference. The stage is set for the accomplishment of an amount of progress within the next ten years—in the direction of greater efficiency in work and finer justice in relations—which in normal times might take a century. In fact, this is the central significance of the reconstruction period as far as the United States is concerned. On any other basis the word "reconstruction" is something of a misnomer when applied to the American

situation. We rightly used the word "reconstruction" to describe the period following our Civil War: we were restoring former rights to seceded States and relating them to privileges of the Union. The word is being rightly used in most of the belligerent countries of Europe where devastated regions demand physical reconstruction, and where the debris of overthrown governments must be removed and new governments set up. But in this country the war, for all its upsetting of traditions and quick enforcement of reorganization in business and industry, did not tear our national life to pieces to an extent that produced a *reconstruction* problem that cannot be taken care of as a part of the day's work. I am not here taking back what I say elsewhere about the national importance of constructive foresight; I am not reverting to the unconscious assumption that has played such a large rôle in American affairs in the past—that we are the favored wards of Good Luck. I have in mind just what Mr. Wilson had in mind—unless I misinterpret him—when, just before sailing for Europe, he said: "It will not be easy to direct the return to a peace footing any better than it will direct itself. The American business man is of quick

initiative." Certain of the liberal journals took Mr. Wilson to task for this assertion, and in a measure implied that he had for the time fallen short of the creative leadership in reconstruction which his previous pronouncements gave us the right to expect from him. I do not think so. I think Mr. Wilson had in mind the fact that reconstruction, in the strictly accurate sense of the word, is not the major problem for America as it is for France, to take only one example. He knew that it would be bad tactics to tie up the whole program of liberal advance with the conception of reconstruction, for practical men already feel that the wholesale application of the word to the American situation is a forced use of the word and smacks of the theorist-reformer. Then, too, a word like "reconstruction" is a standing invitation to every man with a panacea concealed on his person. Under its lure all Utopian-minded persons are resurrecting and refurbishing all their dead dreams and throwing them on the study-table of statesmanship and business. Mr. Wilson knew that before long the word "reconstruction" would be associated in the minds of responsible men with all sorts of impossible proposals, and that the

merging of the whole program of solid advance with the temporary process of shifting the country from a war-footing to a peace-footing would return to plague him later. It has been an important part of his political technique to keep proposed programs free from stereotyped labels, which always tend to crystallize opposition and to set opinion before all of the facts have been examined.

It may seem that I have wandered a bit from the proposition with which I began, namely, that the central importance of this time of transition is that it gives us the chance to speed up evolution and accomplish in the next few years what in normal times might take us a century. But I stepped aside to comment upon Mr. Wilson's statement, by way of illustrating the importance of distinguishing between the things that *must* be done and the things that *may* be done in the fluid times through which we are just passing, the importance of restricting the word "reconstruction" to the more or less mechanical processes of readjustment that must be done, and leaving the wide field of things that may be done free from the handicap of a word that is already getting hackneyed and losing its power to stimulate creative imagination in the

men who stand at the centers of real authority and power. For from the point of view of strategy there is more likelihood of our using to the full the present opportunity for a great advance in the better organization of our common life if we do not make everything revolve about the strictly technical process of reconstruction which may incite prejudice and antagonisms more than it inspires to political and industrial creativeness. It will be one of the great wastes of history if we permit the present flexibility of things to stiffen before we wrest from the situation some distinct measure of progress or if we slow down the rate of progress by assembling unnecessary antagonisms around a catchword. It may seem that I have here played with words simply, have set up a distinction without a difference; but the distinction is real. There is a problem of transition economics which men had in mind when the word "reconstruction" came first into vogue; but as the war went on, people began to feel the need for larger and more permanent policies determined in the spirit the war had revealed. The larger meaning of the present transition-time lies not so much in the new problems that the war has created as in the old

problems which the war has intensified and referred anew to society for fresh consideration.

A transition period in history always dramatizes the necessity for the conscious control and direction of civilization; it exposes the tragic social cost of drift. And to-day the whole posture of affairs, in business, in industry, in government, and in education, puts it squarely to the leadership and citizenry of American democracy to choose whether the development of American life in the next few critical years shall be the outcome of a planless drift, touched here and there by the hastily drawn policy of some improviser, or the result of intelligent foresight expressed through social invention, business statesmanship, and political creativeness. Now, any man who thinks in terms of modern science believes that even the drift of the world is toward the good, that the curve of human evolution is an ascending curve; but such a man knows also that by mixing human intelligence with the operation of natural laws and social forces better results may be arrived at in a shorter time than if evolution is left to shift for itself. The secret of Luther Burbank's unusual public service, for instance, is not that with a magician's wand he has sum-

moned from the thin air new creations of vegetables and flowers; but that he has taken natural laws and natural forces that were already at work, and by mixing human intelligence with them has produced in a short while a Shasta Daisy, a bigger, better, and finer daisy than nature would have produced in a century if left to herself. In the readjustment period we are entering we shall need the services of a great many Luther Burbanks of business, of industry, of politics, of education, men who by the grace of analysis can see where contemporary forces and current ideas are steering the country, and by adding conscious plan to unconscious drift play the general to these political, social, and economic tendencies, and get for us the maximum of constructive result with the minimum waste of time and effort.

But a few social Burbanks will not insure stable progress in our readjustment period. Unless the average American acquires a broadly intelligent understanding of the newer aspects of our political, social, and industrial problems which the war has shoved into the foreground, it may turn out that even though we have enough brilliant leadership in this country, we shall fall far short of easily real-

izable progress, because the masses of our citizens lack that intelligent appreciation of the situation and the policies proposed to insure effective response to the leadership. For clearly our reconstruction period cannot produce the best results if it is left to the brilliant performance of a few conspicuous leaders; it must be a nation-wide popular collaboration.

Times of transition are also characterized by the fact that they present for instant and lump payment the debt that the injustice, ignorance, blindness, and inefficiency of the whole preceding era have been accumulating—a debt that in normal times would be paid piecemeal. This is of fundamental importance to remember in determining one's attitude toward the apparent excess of waste and destruction that frequently marks a process of revolution or readjustment. Too frequently one dead man in a street brawl or a million dollars lost in the reordering of a system alone determine a man's opposition to a revolution or a reform. I am not building a case for Bolshevism's experiment in proletarian autocracy; I am saying only that the costs and penalties of revolutions and readjustments are sometimes distressingly large not because the change is wrong, but be-

cause the concentrated debts of the passing order are being paid off. When revolutions take place on the instalment plan, as they are always doing, we don't worry about their inconvenience or their price; but when evolution lets bills pile up and calls us to account, we demur. The basic question to ask in such instances is, Will the payment of the lump sum bring a compensating degree of progress? If so, the costs of change may represent investment rather than loss.

Times of readjustment like this always tempt the current generation to draw up a program for human destiny and take immediate steps to carry it out. Men who are most creative for their own generation too frequently contradict themselves by trying to crystallize their notions for the next generation. Much of the popular criticism of great foundations has centered about the fact that they may easily become retained attorneys for dead men's policies. We cannot, of course, get on upon any such basis. We must not limit the freedom—or, I should say, hamper the freedom—of the next generation to experiment with life. We must not will our children a rigid world that nothing but war or revolution will alter; we

have had enough experience with that kind of world. The greatest inheritance we can hand down to the next generation is not an improved world, but a world in which improvement is daily possible. Every scheme of government or industry that may be proposed during our readjustment period should be carefully scrutinized in the light of this essential requirement of consistent progress.

Some one has said that in every time of fundamental readjustment the partitions of life are torn out and the specialists confounded. Just that is happening to-day, and one of the big results that will come from it will be the widening of the range of the average man's interests. By strange paradox, when specialized knowledge will be at a premium, no man with large directive responsibilities will dare be too purely a specialist. The war has emphasized to the American mind the relatedness of things. It is clearer than ever that the business man of the future must be more than a business man in the conventional sense of the word: he must be something of a sociologist, or his bungling with labor may undo him; he must have at least a bowing acquaintance with science, or he may fall a victim to the rule-of-thumb and be bested

in the race with the European who is effecting a closer and closer alliance between science and industry; he must know something of international politics, or he may find his far-flung scheme of investment or credit go on the rocks because some intangible aspiration of the natives of an African colony was left out of his reckoning. The educator must be more than a teacher of accumulated knowledge: he must be keenly alive to the character and demands of his time; for to-day the street cuts squarely across the campus, the class-room opens into the market-place, and the slum is next door to the seminar. The world is the educator's market, his graduates are his goods; he must adjust his goods to his market. The university is an anachronism that puts its graduates into the modern world with the information and outlook of the medieval world. The doctor must clearly be more than a doctor; he must know his city as few men know it, for he will be increasingly adjudged as failing in his function unless his practice is an integral part of a continuous collaboration with the sanitarian, the architect, the parent, the teacher, and the municipal government. Self-interest alone will prompt the man of this generation to become

more of a student of the whole range of public affairs in order that he may fit his own work more smoothly into the total social process, and the work that is not thus fitted will carry a handicap even in the matter of material success.

One of the serious, but avoidable, wastes of a period of transition to a new order is that involved in the transfer of leadership into new hands. What I mean concretely is this: the men who are to-day in the positions of authority throughout our society, the men whose hands are on the levers of power in business, in industry, in education, in the church, are the logical candidates for the leadership of the new world into which we are moving. Whether they represent in their points of view the newer aspirations and determinations of our time is another question, but they are the men best trained in the mechanics of leadership; they know the machinery of American life as the rest of us do not. Other things being equal, their whole life has been a training for the responsibilities of this day. Their fruits of experience society can ill afford to lose. But this is certain: if these present leaders of American life either fail or refuse to recognize the legitimate new demands of this time of revalua-

tion, if they conceive their task to be the defense of the past rather than the guidance of the future, if they spend their energies in the thankless task of heckling progress, the leadership of American life will inevitably pass into green hands—the hands of men who more faithfully voice the will of the American people, although they lack adequate training for leadership. This is not conjecture. Whenever, in those creative moments in history when the accustomed calm and conservatism of the popular mind has been broken up, society has had to choose between trained blind men and untrained men of vision, society has chosen the untrained men of vision. And the instinct of society has been right. The leader whose vision is right and whose purpose is sincere will acquire the training in time, while the trained man who persists in clinging to the passing order is a dead weight. But there is no final reason why the trained leadership of one period of development should not become the fittest servant of the next period. Hardly a day passes now without some glimmerings of hope in that direction. Of course a certain proportion of the surprising liberalism expressed from hitherto ultra-conservative quarters is in-

spired by the Bismarckian policy of defeating reform by annexing it, but in a swiftly moving time like this even that is a subtly educative process, which will leave its mark upon the mind that goes through it. What a heartening thing it would be to see some capitalist forget himself into immortality by conceiving and proposing the most just and workable solution for the labor problem! And some business man who approaches the restless aspirations of the next few years in a spirit of inquiry, of sympathy and of disinterested public service instead of automatic antagonism may do just that thing. Back in our muck-raking period many fine-spirited men broke under the exposure, became prematurely old men under the grilling, and passed out of public life shamed and disappointed men. A hardened reporter, not given to sentiment, in telling me of one of these men said that he died of a broken heart. Now, few of these men were personally bad men; many were good men, who were carrying the business and political ethics of a dead day over into a day of new and different standards. They had stuck too closely to their political and business jobs and had failed to keep sensitive to the growing ideals of their time. Society in

its development moved past them without their knowing it, and that fact left society no choice but to scrap their leadership. I have taken the time to pick up this bit of history because our leaders face a similar situation to-day. The key-word of political and business criticism in the years immediately ahead will not be "corruption," as it was in the muck-raking period. But the man who fails to adjust himself to the spirit and standards of this time will be as ruthlessly scrapped as were the leaders of that period.

Finally, a time of transition makes imperative the possession of a unified national policy that will knit the scattered energies and divergent purposes of a people into effective unity of action. Without such national purpose or policy, the varied internal antagonisms of a nation cancel and neutralize one another and bring the society to a state of rest. And it is at just that point that a society can be caught in the sweep of invisible world currents and carried into situations neither of its choosing nor its expectation. I am here trying to state from memory and apply to our present problem the thesis which L. P. Jacks developed in his illuminating essay on "A Drifting Civiliza-

tion." American society does not want to become the inert plaything of invisible currents, whether they be currents of Bolshevism or imperialism. The achievement of a few definite, large, inspiring, and unified national purposes is the best or, more accurately, the only insurance against such loss of the control of our future. A nation without such integrating purpose or purposes is always easy prey for the demagogue or the strong man who knows what he wants. Of course, the difficulty we face in the United States is that ours is such a sprawled-out country that concentrated attention is but rarely paid to anything that statesmanship says. We listen by sections, and usually by the time the necessary unity of opinion has been secured the ripe hour for action has passed, so that we lose half the value of the act. Maybe some advertising genius will arise who can teach us how to get at the mind of this whole people with political and industrial policies at least as effectively as it is got at with the name of a chewing-gum or an automobile. He would deserve well of the country were he to appear for service during the next few important years.

Here, then, are seven things which charac-

terize times of readjustment and revaluation like the one through which we are now passing and shall be passing for several years to come: (1) The possibility of speeding up evolution and accomplishing in a few years what in normal times might take a century; (2) a dramatization of the necessity for the conscious control and direction of civilization and an exposure of the high social cost of drift; (3) the burdensome necessity for paying off the accumulated debts of the old order that is passing; (4) a temptation to the living to draw up a dogmatic program for the next generation; (5) a tearing down of the partitions that normally separate the various interests and classes of society; (6) a waste of skill and experience in the transfer of leadership into new hands; and (7) an emphasis upon the need for a unified national policy. The implications of these seven aspects of this time of readjustment will touch intimately every problem and interest of the financial district, of the factory, of the university, of the church, of every institution of American life. No calculation will be complete that leaves them out of account.

I am under no delusion that in this paper I have sketched an adequate picture of this time

of transition. I have not attempted to do the impossible—to make a complete catalogue of the forces and factors that must be reckoned with in determining American policies. I have conceived this paper as more in the nature of a foot-note to the discontent and mobility of our time. If it gives the reader the sense of movement, of flexibility, of questioning that gives this time its character, if it dramatizes the equal danger latent in ultra-conservatism and ultra-radicalism, if it indicates the wisdom of making the forces of change and the forces of conservatism complementary instead of competitive purely, the paper will more than serve its purpose.

It is not too much to say that everything depends upon the attitude which the present leaders of American life take toward the new forces that are now moving across the face of the world, not to leave untouched the last corner of our own country. Until it becomes clear what that attitude is to be, it is difficult to say which is the more important undertaking—the education of the leaders of the social revolution or the education of the captains of industry.

III

ANONYMOUS LIBERALISM

The statesman's General Staff—The new spirit in business—Professions vs. Trade—The intellectual challenge of modern business—The social function of the business man—Henry Ford's peace ship vs. Henry Ford's farm tractor—Efficient production—Just distribution—Wise consumption—Trade ethics—Business leadership and the social unrest—The menace of the firing-squad mind—Twenty business men and a Magna Charta for American industry.

THE war meant for American business quick and fundamental readjustments in those processes of production, distribution, and consumption upon which civil and military strength rest. To an unprecedented degree, private interests were adjourned, and the processes of business reassessed in terms of public service. For the time our factories and stores were looked upon less as distinct businesses, conducted for private ends, and more as coördinate parts of a national machinery for production and distribution. The spirit of common enterprise which the urgency of war evoked made possible many forward-looking

things that in normal circumstances would have required a decade of agitation and split the nation into camps of competitive opinion.

This necessity for common action has not ceased with the ending of the war. The requirements of progress, no less than the requirements of war, demand a mobilization of the spirit of unity, coöperation, and concentration. Without unity, coöperation, and concentration as a basis of action, the policies of the immediate future, at least, will be the outcome of log-rolling compromise, a patchwork of reluctant concessions from conflicting interests. Quite clearly we shall not obtain this unity, cooperation and concentration by the methods of governmental control that obtained during the war, for the general tendency will be from control to freedom the farther we get from the situation of emergency. This brings to the fore, as a question of national interest, the spirit and purpose which we may expect the leaders of American business and industry to bring to the issues of readjustment and development within the next few years. The outlook for fundamental progress cannot be predicated upon the breadth or narrowness of political leadership alone; the breadth or narrowness

of leadership in business and industry is an equally important factor in any such reckoning. A few determined political leaders with vision and strategy, supported by the degree of liberalism that exists in the national mind, will doubtless be able to swing the nation with them in the effecting of the clearly essential readjustments in our domestic policies; but we shall not, as a people, take full advantage of the peculiar possibilities of progress that inhere in a period of readjustment unless all of the processes of our common life, particularly those of business and industry, are guided by broadly conceived reconstructive policies, unless every man who holds a position of leadership in our social, industrial, and business life plays a courageous and creative part. The statesman, the prophet, the publicist, the leader with a synthetic mind who sees the varied factors and forces of our national life in their just relations, will be invaluable in the years just ahead; but such leadership will not achieve the largest possible results without intimate collaboration with constructive leadership in the fields of production, distribution, and consumption. The statesman will be hampered in his leadership unless the manufacturer, the merchant, the

banker, and the labor leader constitute for him a sort of general staff, with the members of which he can establish a community of interest and an agreement on policy.

For these reasons it becomes necessary to begin a study of the probable contribution of business to the period of readjustment we are passing through with an assessment of the motive forces that promise to determine and direct the American business mind. With such an assessment made, one may think with a greater sense of sureness upon specific problems of business and industry. This paper, therefore, deals with standards of value, points of view, and motives that may be found in business circles, partly with standards and motives that are established and apparent, but also with standards and motives that are in process of formulation—standards and motives that have been stimulated by the circumstances and demands of the war.

American business men aspire to contribute to the processes of readjustment and revaluation more than mere shrewdness. American business men are not sentimentalists. They have not turned radical. But on every hand there is evidence in business circles of a tem-

pered idealism impatient to translate itself into the concrete, an increasingly high sense of the function business may perform in these days that challenge, as few days have challenged, whatever of the creative there may be in a man. During the war men everywhere breathed the ampler air of service to causes larger than themselves or their interests alone, and whatever their early post-war reactions may be, these men will not long breathe easily in the stuffy atmosphere of narrow policies and purely self-seeking methods. I am under no illusion that the war has remade human nature. I am not under the spell of analogy to the extent of thinking that the spirit of dedication to, and sacrifice for, large common causes will be carried over undiminished into the period of peace. We are doubtless in for a good round measure of reaction. Men will want to shake off arbitrary restrictions that war imposed. There will be on all hands pleas for a renaissance of individualism; but I am sanguine enough to believe that this will be temporary—temporary not because the war has worked any miracle of transformation in the mind of the race, but because the whole temper of the times will cry

out against it; temporary because even before the war an enlarging sense of its social function was getting hold of the business mind.

For several years now, years during which we have been consolidating the social gains from our muck-raking period, there has been going on in the American business mind a movement almost mystical in its essential quality and yet of the profoundest practicality. This movement, which I want to discuss in detail a bit later, the facile criticism of the radical mind has frequently discounted and dismissed with a sort of can-any-good-come-out-of-Nazareth air. But these subtle alterations of mind and attitude, however unsatisfying to the type of mind that would rather play with a perfect theory than improve an imperfect world, constitute one of the important sets of operating influences with which we shall find ourselves dealing in the fresh ordering of our immediate future in this country. It is a commonplace that every such time of democratic advance as we are now passing through means the release and accentuation of certain fundamental human qualities. I am here listing as a product of the current purpose to humanize more fully

business, industry, education, and politics what for want of better phrasing I may call the new spirit in business.

I can perhaps describe this new spirit no better than by saying that American business has been gradually evolving from a trade into a profession. In our minds at least there has existed a definitive difference between a trade and a profession. Until recently we went about a classification of occupations somewhat as follows: drawing a line down the center of the page, we wrote the word "professions" at the top of the right-hand column and listed thereunder such undertakings as the law, medicine, teaching, the ministry, journalism—all of the so-called professions; at the top of the left-hand column we wrote the words "business" and "labor" as blanket designations of all remaining undertakings of which the controlling motive seemed to be the money that could be made out of them. Between business and labor on the one hand and the professions on the other a great gulf was fixed—a gulf as sundering as the gulf that separated Dives and Lazarus.

This gulf was the product of a certain uncrit-

ical assumption that men enter the professions not primarily because of the money that can be made out of them, but because, in addition to a competence and some measure of surplus, professions give men automatic and accredited rank as public servants ministering to the higher needs of the society of which they are members. Business and labor, however, have not commonly come within the radius of that assumption. For years we have held in the back of our minds a conception of business and industry as an unregenerate section of our social order in which the law of tooth and nail applied of necessity. Whenever some one referred to a business man as being a public servant or benefactor, the picture that came involuntarily to mind was that of a man who in his early and poor youth had plunged into business, where by dint of exacting effort and ruthless concentration upon purely material ends he had accumulated a lot of money, and, when getting old and a trifle weary of the grind, had turned himself into a sort of glorified Santa Claus to society, giving his money away to all sorts of "good" causes. For years no one worried greatly about the sources of such benefactions, it seeming to be the assumption that

the fact that a man did good with his money after he got it disinfected the methods of acquisition, if the methods needed disinfection.

All that is changing, is indeed changed, and not because any superconscience has evolved a theory of tainted money, but because also, and perhaps mainly, business men have come to believe that a business man's most important opportunity to serve society comes not after he has made his money, in giving it away, but rather while he is making his money, in the way he makes it. Statesmanship in business has come to be adjudged worthier of a real man's mettle than philanthropy outside business. A business man's public service is seen to consist not so much in a number of benevolent chores taken on after office hours as in the way the business of the world is carried on during office hours. In other words, business is taking on the character of a profession. It has always been true that the social significance of business equals if not exceeds the social significance of any of the accredited professions simply because business occupies more of the hours of the average man's day and touches life daily at more points than all other social processes combined.

John Ruskin caught this significance years ago when he wrote, in his essay on "The Roots of Honour," this statement, which has been quoted threadbare, but which is still valid and still merits attention. Ruskin said, with reference to the merchant, a term that he uses to refer to all who engage in any form of industrial pursuit:

> The fact is that people never have had clearly explained to them the true functions of a merchant with respect to other people. . . . Five great intellectual professions, relating to daily necessities of life, have hitherto existed—three exist necessarily, in every civilized nation:
>
> The Soldier's profession is to *defend* it.
>
> The Pastor's, to *teach* it.
>
> The Physician's, to *keep it in health.*
>
> The Lawyer's, to *enforce justice* in it.
>
> The Merchant's, to *provide* for it.
>
> And the duty of all these men is, on due occasion, to *die* for it. On due occasion, namely:
>
> The Soldier, rather than leave his post in battle.
>
> The Physician, rather than leave his post in plague.
>
> The Pastor, rather than teach falsehood.
>
> The Lawyer, rather than countenance injustice.
>
> The Merchant—What is his "due occasion" of death?
>
> It is the main question for the merchant, as for all of us. For, truly, the man who does not know when to die, does not know how to live.

In even more pointed fashion, the professional implications of business have been stated by the late Professor William Smart of Glasgow, who was an employer of men as well as a teacher of economics. In his very stimulating volume, called "Second Thoughts of an Economist," he said:

> Personally I count it [the employer's function] the noblest profession of all, though, as a rule, it is taken up from anything but the noblest motives; and what I ask is—just this and no more—that the traditions of the professions be transferred to it—the *noblesse oblige* of living for their work and, if necessary, dying for it. If an employer has any faith in the well worn analogy of an "army of industry" he must believe in the necessity of Captains of Industry, who think first of their country and their men, and only second of their pay. . . . He must take the sins of his order upon himself and win back the confidence that meanwhile has disappeared. His task today, in fact, is very much that of a philosopher-king who comes to his throne after many years of misrule by his predecessors. He has no right to his honorable position but that he governs divinely.

Since Ruskin and Smart said these things, progress has in a measure at least answered their pleas. The traditions of the professions are at least in process of transfer to business.

In saying this, I am neither falling victim to a merely pretty sentiment nor confusing fact with desire. Of course one runs the constant risk of failure to distinguish between a private wish and a public movement, as George Bernard Shaw has suggested; but I am trying in this paper to keep well within the radius of the findings of experience. I am basing my assertions regarding the professional tendencies in business upon things I have seen and heard in banks and stores and factories, fully aware, however, that I am reporting a situation that exists among the creative few rather than among the routine many of business men. But these creative-minded business men who envision their business in its social relations are on the increase; they are the pioneers of a new business order. They are among the most precious possessions of a democracy of liberal intentions, for the tempered liberalism of one man whose hands are on levers of power may accomplish more essential progress than the more vocal and more clearly labeled liberalism of academic circles. In other words, there is an anonymous liberalism that frequently does the thing for which professional liberalism has set the stage. This is no cheap fling at the theo-

rist, who is, after all, the most practical man alive, the man who blazes the trails that responsible executives later travel. This is simply a reminder that the cautious liberalism of the forward-looking business man and the more daring liberalism of theory are complementary rather than competitive.

But, to get to more detailed statement respecting the professional tendencies in business, most of the discussions of this matter suggest the peculiar characteristics of a profession, as contrasted with other occupations, as being these:

First, a professional career requires a preliminary attainment of knowledge, and in some measure of learning, as distinguished from the mere skill that comes from administrative experience.

Second, a professional career implies a sense of public function looking toward the accomplishment of certain social objectives as the final justification of any claim to public respect and support.

Third, a professional career involves adherence to a code of professional ethics.

These three things constitute the popular, though perhaps highly theoretical, conception

of the recognized professions, such as the law, medicine, teaching, the ministry, journalism, and the like. Here and there throughout the United States I have seen these three characteristics of a profession happily illustrated in highly successful businesses worthily administered. I want now to suggest how these professional standards may become, are indeed becoming, characteristic of American business in its finer forms of expression. In doing this I shall do little more than report what I have heard outstanding leaders in American business and industry say in those self-revealing moments when men are off guard and expressing their real selves. Some one will say, of course, that it is not the club-corner conversations of captains of industry in an expansive after-dinner mood that give us an insight into the amount of anonymous liberalism that we may even tentatively reckon upon coming into play during our readjustment period; that the only dependable basis for such reckoning is the actual policies that have been and are under way in business and industry. Such sayings seem to me to spring from the most short-sighted of social analysis. A vast amount of reasonable progress has been checked by just

such blindness and cynicism toward the hesitant beginnings of new points of view in quarters where they are least expected. The present expansion in the business man's conception of the larger social implications of business is one of those quiet works of the mind that have always preceded and must always precede the silent revolutions that lay most of the milestones of genuine progress. In an article on "Reconstruction" in "The Round Table" for September, 1916, Alfred E. Zimmern put this fact clearly when he said:

> We have always realized that outward changes are of no avail unless men's minds have been prepared beforehand to profit by them. We know that new social classes cannot be created in a moment to undertake the new tasks which may be ready for them. . . . It is the quiet work of the mind that makes revolutions possible. Without a change of outlook all external change is meaningless. But if the inner change has taken place, everything is possible, even the moving of mountains. And it is this silent inner change which is preparing the way for the new world after the war.

Variations of judgment as to its essential character and significance aside, the fact remains that a changing point of view in so strategic a class as that of business men is a real

factor to be reckoned with in any attempt to assess the probabilities of future policy or progress. And, as a basis for forecasting the probable character of future business policies in this country, there is more significance in the discovery of the tender shoots of a finer point of view scattered about in a thousand and one places of power than to know of a few factories and stores in which the newer ideals of business have been worked out in fair fullness. It is always heartening to find brilliant exceptions, but doubly heartening to find the contagion of these brilliant exceptions beginning to spread. It would be easy to write a series of valuable papers descriptive of particular factories and stores in which business men with professional ideals have demonstrated with dramatic definiteness the practical relation between professional business and permanent profit, and I hope to do that at some future time; but in this particular paper I am more concerned to emphasize the fact that the ideals of such exceptional businesses are gaining a foothold throughout American business, even in many quarters where the tangible evidence is not yet apparent.

Let me try, then, to interpret as accurately

as I may the opinions of certain business and industrial leaders of America with whom I have discussed the way business and industry should and may assume the three characteristics that were noted a few paragraphs back as distinguishing a profession.

First, it is evident that modern business, no less than the time-honored professions, requires a preliminary attainment of knowledge, and in some measure of learning, as distinguished from the mere skill that comes from experience. Mr. Justice Brandeis, in an address at Brown University in 1912, stated clearly the basis of such an assertion as this when he said:

> The field of knowledge requisite to the more successful conduct of business has been greatly widened by the application to industry not only of chemical, mechanical, and electrical science, but also the new science of management; by the increasing difficulties involved in adjusting the relations of labor to capital; by the necessary intertwining of social with industrial problems; by the ever extending scope of state and federal regulation of business. Indeed, mere size and territorial expansion have compelled the business man to enter upon new and broader fields of knowledge in order to match his achievements with his opportunities. This new development is tending to make business an applied science.

It is a far cry from the simple shops, small-scale production, and intimate personal-apprenticeship relation between men and masters to the present great stores and factories which involve in their administration intelligent coöperation with the laboratories of science, a continuous study of the temper and fundamental aspirations of vast armies of working-men whose content is an asset and whose restlessness is a liability, a knowledge of the changing forces that from time to time determine new adjustments of the relation of business to government, an insight into the currents of international politics that react upon business policies and profit, an understanding of local customs and native psychology in foreign markets, and the thousand and one things that go into the making of the environment in which the policy and practice of a given business must operate. Few, if any, of the recognized professions make as sweeping challenge to the intellectual ability and acquirements of a man as does modern business. In this respect at least business claims fellowship with the professions.

Second, it is clear that a business career, if it is spaciously conceived and made permanently successful under present-day conditions and

ideals, must imply a sense of public function in the business man that holds him to the accomplishment of certain social objectives as the final justification of any claim to public respect and support. The all too prevalent apostasy from ideals aside, it is true that members of all the recognized professions are obligated to regard their function as a public service rather than as a private venture alone. Walter Lippmann, in a brilliant essay in his "Drift and Mastery," put very pointedly the instinctive reaction of the public against non-business classes who show a blindness to their social responsibility, in a paragraph that reads:

> The business man may feel that the scientist content with a modest salary is an improvident ass. But he also feels some sense of inferiority in the scientist's presence. For at the bottom there is a difference of quality in their lives—in the scientist's a dignity which the scramble for profit can never assume. The professions may be shot through with rigidity, intrigue, and hypocrisy: they have, nevertheless, a community of interest, a sense of craftsmanship, and a more permanent place in the larger reaches of the imagination. It is a very pervasive and subtle difference, but sensitive business men are aware of it. . . . So the public regards a professor on the make as a charlatan, a doctor on the make as a quack, . . . a

politician on the make as a grafter, a writer on the make as a hack, a preacher on the make as a hypocrite.

I have quoted Mr. Lippmann in this connection both because he states the social responsibility of the professions succinctly and because his statement gives a good background for the special emphasis I desire to place upon the fact that this gap between the ideals of the professions and the ideals of business is rapidly narrowing. Every day the conviction among business men is becoming more definite that the real tone and temper of American life is perhaps determined more fully by the way the work of the nation is done and by the way the business of the nation is conducted than by any other single set of factors. As I have said before, business and industry largely determine the quality of our common life simply because the primary processes of production, distribution, and consumption touch life at more points and oftener than all other social processes combined. Certainly a perversion of business and industry can nullify the purpose and influence of the teacher, the writer, the physician, the minister, the artist, and even the statesman. It is the growing recognition of this fact that is prompting a larger and larger number of busi-

ness men to feel that business is more than simply an instrument with which the business man can gain the personal financial freedom to devote an increasing part of his time to disinterested public service, that business is in itself a field of public service that makes a challenging levy upon whatever the business man may have of statesmanship and public spirit. To put this matter concretely, the relative futility of the average business man's "public service" in outside activities as compared with the opportunities for really significant statesmanship inside his business finds apt illustration in a comparative consideration of Henry Ford's peace ship and Henry Ford's farm tractor. The former awakened the world's humor, the latter the world's gratitude. This is not a flippant criticism of Mr. Ford's peace ship. I should rather have in my record an earnest, although futile, attempt to have done something toward the relief of the tragic circumstances of the war than the calloused indifference which many men carried through a time when civilization was at the cross-roads, and no one could tell which direction it might take. This is simply a statement of fact, that by an act of invention and business promotion, Mr. Ford, in pro-

ducing and selling his farm tractor, is laying the foundation for a revolution upon the farms of the world, the implications of which are endless, not alone making possible an increased productivity, with all that means in the forestalling of food shortage and the consequent removal of one of the fertile sources of revolutionary discontent, but also making possible an increase in the margin of leisure for the farmer and his family, which is essential if our farms are to develop men as well as acres.

Mr. Ford, happily, is a man who visualizes in advance the full round of social implications involved in his business policies and acts, and for that reason he is able to find in business the same professional satisfaction that Alexis Carrel must have found in his work on the suturing of blood-vessels and the transplantation of human organs for which he received the Nobel Prize in 1912. But the social and economic influence of the farm tractor would exist although Mr. Ford were blind to its larger meaning. For that reason this reference to the farm tractor illustrates with peculiar directness the way in which business men may, without taking to the pulpit or turning reformer, affect through the actual processes of

their business the social, intellectual, moral, and esthetic quality of our common life.

And I have found throughout the business life of America men in whose minds something approaching a definite philosophy of the social function of business is taking form. Forward-looking business men see that business, in addition to the making of profit and, indeed, in order to make profit permanently under the conditions that are obtaining, should contribute toward the realization of three large ends in American life; namely, (1) greater efficiency in the production of wealth, (2) greater justice in the distribution of wealth, and (3) greater wisdom in the consumption of wealth. These are social objectives which business men will feel increasingly obligated to work toward as the final justification of their claim to the esteem and support of the nation. It is worth while to glance at these three objectives in passing:

In the first place it is clear that a democracy cannot endure unless the average man in it is an efficient producer of wealth. A democracy rests upon uncertain foundations as long as one element of the population plays the parasite on the productive power of the other element of

the population. A time is doubtless coming when we shall withhold our respect from the man who so far forgets essential justice that he claims the right to the possession of wealth upon any other ground than that he has produced it. Those who are in possession of wealth upon any other basis are doubtless holding it upon grounds which their children's children at least will regard not only as unjust, but as fundamentally immoral. For, however disturbing to our complacency it may be, the fact remains that vast and hitherto inarticulate masses in every country are now thinking and saying that the only justification for the ownership of wealth is the production of wealth. This of course does not mean, except to the revolutionary confiscator, that one has no right to the private ownership of a dollar's worth of property except that he has produced in return for it a tangible something that can be sold on the market for a hundred cents. I once heard an extremist deliver an address on "American Parasites" in which he suggested a list of the classes in America that he regarded as non-producers. In this list he included clergymen, concerning whom he said, "We are through with the preacher until he can justify himself from

an economic standpoint." He was saying in effect, "Let 's deify the man who raises the wheat of the country, but let 's damn the man who raises the moral standards of the country." It is quite evident, however, that the man who raises the moral standards of a community is as truly a producer of wealth as the man who raises the wheat of a community; that the artist who adds a touch of beauty to a world all too sordid to the many, or the thinker who flings one creative thought against the sky of the future is as truly a producer of wealth as the puddler in a steel plant. It is nevertheless a healthy sign that men everywhere are feeling more and more that one has no right to the possession of wealth unless in return for that wealth he has helped make his city, his state, and his nation either a materially richer, a more just, a more intelligent, a more beautiful, a more moral, or a more healthful place in which he, his fellows, and future generations can live.

In the second place, it is clear that although every man in America were an efficient producer of wealth, the development and stability of a genuine democracy would remain an uncertain quantity if the wealth of the country were

not distributed justly. No society can reckon upon stability if one extreme of its population consistently gets more than it earns and the other extreme earns more than it gets. We are in a time when contagious revolution is in the air. Glaring injustice in the distribution of a nation's wealth produces just so much inflammable material to feed the fires of revolt. Even the most conservative of business men are reckoning with the fact that progress toward greater justice in the distribution of wealth, far from being a radical measure, is an essential element of that sanely conservative program which all true liberals are counting upon to insure for America healthy progress in the next few years when reckless revolution will plead its case at every street corner. But aside from this self-preservation motive, there is more in the cause of just distribution to challenge the finer impulses of a business man than there is in many of the conventional causes to which he gives his time and money. It certainly offers a bigger challenge than does charity. It is small challenge to a man's genius to respond with a check to the appeal of need. But the thing that makes charity unsatisfactory as an exclusive expression of a business

man's public spirit is that it is a "time-and-again" service; it is a job that can never be finished. If one had all the wealth of all the multi-millionaires of the United States, one could doubtless make comfortable, if not happy, all the poor of the United States; but if in addition to such benefaction one did not make certain fundamental readjustments in the social and economic structure and processes of American life, one would have to do the job all over again when the present poor died and their children came on the stage. Leonardo da Vinci would probably have painted "The Last Supper" with little enthusiasm had he known that with the last stroke of his brush the picture would fade from the canvas. Yet that is what happens in the case of the business man who is indifferent to the problem of the just distribution of wealth and centers all of his out-of-office interest upon charity. The just distribution of wealth is a "once-for-all" service. In almost exact proportion to the nearness of our approach to perfect justice in the distribution of wealth will the number of our disturbing social and industrial problems be diminished. Injustice in the distribution of wealth, either real or fancied, becomes a breeding-ground for

political, social, and industrial difficulties. Remove the cause, and the effect will disappear. Of course there are in every society a certain number of congenital revolutionaries with whom revolt is a major sport; they would organize a Red Left in Utopia. But the average American is at heart conservative and is immune to revolutionary appeal unless actual conditions give some measure of validity to the revolutionary appeal. The conservative business man (I use the word "conservative" in its finer sense, not as equivalent to "reactionary") sees that constructive effort toward greater justice in the distribution of wealth is a challenge to real public service in that it will mean essential progress for society and at the same time cut the ground from under the revolutionist. And, after all, the poor of America — not the shiftless poor, but the involuntary poor — do not want charity. Given justice, they will manage to get along very nicely without charity. And certainly the aim of our democracy should be to make charity an unnecessary virtue. This whole argument I have found being threshed out among our business men of insight.

In the third place, it is clear that even though

every man in America were an efficient producer of wealth, and American wealth were distributed with mathematical justice, if there is such a thing, still democracy would in time tumble like a house of cards if the wealth of the country were not consumed wisely. That fact is leading many business men to emphasize the responsibility of business in the education of the appetites of the nation. Advertising is one of the evident instruments which business must use in such education. The social significance of advertising will receive increasing attention from the business men who aspire to make their businesses minister to the public welfare as well as to private profit. Advertising serves a higher function than the mere increase of sales; it lifts the tone of a society by increasing the sanity of consumption. Charles Frederick Higham, a London advertising man who has a large and constructive conception of his profession, in his engaging volume on "Scientific Distribution," says:

> One thing is absolutely certain, and that is that the general public do not appreciate in the least the value which advertising has for them. They seem to consider it an entertaining extravagance on the part of business men. They remain childishly unaware

of the influence it has upon their own choice and taste and welfare. Such criticism as they put forward is summed up in the phrase, "Who pays for all this?" And the answer implied is, "We—the public—do." But broadly speaking, modern scientific advertising . . . produces such a growth in the volume of business that it saves in the cost of production in the end, and so increases the profit by decreasing the selling cost. It is unscientific advertising if it does not produce these results.

The influence of advertising upon taste is in the right direction. . . . This is what happens. A shoe manufacturer wishes to increase his market. He therefore decides to advertise. But before he embarks upon that expense he makes sure that he is making a shoe of a superior kind. It must be cut from good lasts, be a shoe that keeps its shape, wears well, looks smart, and has about it an air of distinction. All these points he puts forth boldly in his advertisements, thus throwing out impressions of what a really good shoe ought to be—impressions that stick in the public's mind. . . . With the result that many people become dissatisfied with the cheap, unwieldy shoes they usually buy. So much so that they agree to pay the higher price; and thus *they learn the secret of true economy*—which is always to buy the best that one can. . . . Despite all the weakness and vulgarity of trade to-day—its labor problems, its bad organization, the ugliness and feebleness of its craftsmanship —I honestly believe it will work out its own salvation; and that advertisement is the great tool with which

this will be done. . . . The influence of advertising upon the public welfare lies in its power to raise the standard of living all round. . . . Advertising has helped to standardise goods; to socialise manners; to individualise taste. It has beautified dress, democratised luxury. It fosters a healthy dissatisfaction with anything less than the best.

Of course concern with sane consumption is abortive unless linked with concern for just distribution. The hopeful thing is the increasing number of business men who feel that the advertising which business does, if it is not to be parasitic, must make for increased sanity as well as increased size of consumption demands.

It is needless to say that it is the exceptional business man who has formulated anything like the definite conception of the public function of business that I have here reported as having found among certain American business men. The real significance lies not alone in the fact that a growing group of influential business men hold these views, but also in the fact that public opinion and mass pressure are turning these principles into the form of demands upon business. And the basis of hope is that the instinct of self-preservation among the many in business will join with the vision of the few in

bringing these things about. At any rate, here are currents of thought making for professional standards in business.

Third, business is likewise coming to demand adherence to a code of professional ethics. And in this respect business promises to outdistance the professions, in which professional ethics too frequently means only professional etiquette. American business in certain quarters is evolving standards of professional ethics in the sense that business men are attempting to think out fundamental morality in terms of business activities; trying to analyze just how it is possible for business men, through the complicated interdependence of modern business, to lie, to steal, to despoil virtue, and to hold slaves by indirect, long-distance, and impersonal methods; trying to set up standards that will rule these essential immoralities out of American business.

Thanks to the literature of exposure that was in vogue a few years ago, it became clear that business men might, while adhering to the strictest standards of private morality, commit all of the sins of the decalogue by indirect and impersonal methods. In fact, interdependence came so swiftly upon the heeds of individual-

ism in this country that "good" men found themselves doing a number of "bad" things in business and industry before they fully realized the implications of their acts. Some cynic, with more cleverness than insight, once remarked that Mr. Roosevelt discovered the ten commandments and gave out the fact as news. But the truth is that the ten commandments need to be rediscovered for each generation. Quite clearly the decalogue needed reinterpretation to a generation in which men might slowly poison a nation with adulterated foodstuffs, a method less dramatic, but no less reprehensible, than the quicker methods used by medieval monarchs with disloyal courtiers; to a generation in which men might steal through monopoly control, a more refined, but no less effective, method than Robin Hood employed. There is a long list of now trite comparisons between the impersonal sins of a society of grand-scale industry and the more direct and easily recognized sins of the simpler and more individualistic society that preceded it. These comparisons are no longer the exclusive property of the muck-raker. They are part of the common thought of modern business men who know that their morality is more than a ques-

tion of personal habits, that it must rest upon a carefully thought-out application of the fundamental principles of morality to the complicated processes of modern business. It is the moral duty of a nation to keep its economic and ethical development neck and neck. Otherwise there is constantly a "twilight zone" in which men who adhere to the accepted standards of ethics will commit socially immoral acts because the moral implications of such acts or methods have not been thought out and standards raised against them. This is ground so familiar that it needs only a gesture calling attention to it as a field in which business is evolving professional ethics.

It is loyalty to such large aims as these that will make business truly professional in the sense that business will consciously promote the social virtues of efficiency, justice, and sanity while dealing with the material processes of production, distribution, and consumption. These professional ideals in business, it should be said once more, have been here sketched not as the finished picture of accomplished fact, but as the assessment of emerging motive forces which, if sedulously cultivated by the business and industrial leaders of America, will exert

determining influence upon the quality and rate of progress in the period of readjustment we are passing through. And there is more than naïve optimism upon which to base the hope that these ideals will gain vital currency in the years just ahead. Forces of self-interest will supplement the innate idealism of the American mind in making these ideals more fully operative. These forces of self-interest have been suggested throughout this paper, but it is worth while to deal more specifically with them at this point.

Business men find themselves under the necessity of deciding what their attitude is to be toward the restless discontent which is to-day manifest throughout the world. If really intelligent self-interest determines that attitude, we may expect the formulation of policies worthy of truly professional business. This discontent is not a passing temper provoked by the stage tricks of a small group of professional malcontents; it is one of those tidal movements of social aspiration that now and then sweep over nations, with the nations too frequently only half aware of what is happening. Viscount Morley, referring to such movements, said, "Wise statesmen are those who foresee

what time is thus bringing, and try to shape institutions and to mould men's thought and purpose in accordance with the change that is silently surrounding them." This is pertinent counsel for business men as well as for statesmen in these times, because nothing less than this statesmanlike attitude toward the current forces of unrest and change can protect business; certainly nothing less can afford guaranty of healthy progress. Business statesmanship is the one effective instrument that can bring constructive economic results out of a radical hour; simple opposition cannot. John Stuart Mill once said, "The future of mankind will be greatly imperiled if great questions are left to be fought out between ignorant change and ignorant opposition to change." This statement might well be printed on the desk calendar of every American business man, for it suggests the key not only to business statesmanship, but to business success as well in these days of discontent and revaluation. Autocratic indifference to the aspirations that are moving the masses of a nation has spelled bankruptcy of authority for governments throughout history; autocratic attempts to suppress such aspirations have spelled revolution

throughout history. These lessons of political leadership are not lost upon far-sighted business leadership. On every hand I find business men saying frankly that it lies pretty largely with the leaders of business and industry whether change shall be disruptive or constructive.

If a stupid conservatism should attempt to revert to "big-stick" methods in dealing with labor difficulties, one would need either courage or blindness to contemplate the future with an easy mind. Calling in the police, mobilizing the militia, employing detectives, arresting labor leaders, blocking discussion, and forcing passions underground are not only undemocratic methods; they are unintelligent methods; they are played out. The business executive who uses them may think he is protecting his interests, but his firing-squad type of mind does not see far; in using such methods, or even in taking an undefined attitude of emotional denunciation toward a labor difficulty, he is playing directly into the hands of the revolutionary. Constructive conservatism, on the other hand, by refusing to employ these methods, forces the radical leader to attempt to present a satisfac-

tory program to his followers; for an average group of Americans of whatever class can be held together only by one of two methods, common action against a common antagonist who flaunts his antagonism in their faces or common action in behalf of a program that captures their imagination and appeals to their sense of justice. The increasing recognition of this fact promises to help materially toward lifting the whole question of labor unrest out of the atmosphere of a test of strength alone. Business men realize with a definiteness that is relatively recent that capital loses even when it wins in a fight with labor, simply because business cannot be permanently successful and permanently profitable unless its relations with labor are cordial,— especially with the numerical strength of labor becoming politically articulate,— and its relations with labor cannot be consistently cordial as long as labor unrest is dealt with upon the basis of a tournament rather than a parliament. A system of relations between employers and employees that usually breaks down when the issue is of fundamental importance and forces both parties to threaten and fight their way toward a decision is clearly

inadequate for the sort of times we are coming into; it is a costly system, as all expedients are costly; it generates and leaves behind too many sullen antagonisms that may be played upon by destructive radicalism. Alfred E. Zimmern, in an article from which I have quoted earlier in this paper, says:

> Collective bargaining is clearly an advance on the old unequal system of individual wage-contracts. But collective bargaining between large-scale organizations of employers and workmen involves a piling up of armaments on both sides not unlike that of the rival European groups before the war. At its best it preserves the peace by establishing a precarious balance of power; at its worst it precipitates a disastrous conflict; and, in either case, whether it works well or ill for the moment, it is non-moral and inhuman, for it has no basis in a sense of common service or public duty. Hence it creates a feeling of divided interest and permanent estrangement which has been all too visible to the rest of the community during the recurring industrial crises of the last ten years. In this vicious situation a great national responsibility rests upon the leaders of both groups of combatants.

The costly inadequacy of the present system of employer-employee relations, coupled with the fact that there exists to-day throughout the

world of labor a heightened determination to secure a larger share in the profits and a larger voice in the management of industry, means that business men, purely as a matter of good business, must take the initiative in a sincere collaboration with labor in effecting a saner organization of industrial relations. It is interesting to note that this is just what is happening in England, for instance, where responsible business men are contributing leadership to the movement for forms of industrial self-government, which, administered in the newer spirit, should not only satisfy the basic aspirations of labor, but also put business and industry upon a more dependable and profitable basis than ever before. The implications of industrial self-government both to employers and employees, as they are worked out in the literature and discussed by the leaders of that movement, I shall take up in detail later in this volume. All I am concerned in doing at this point is to suggest that self-interest is making for constructive conservatism and making against stupid conservatism, which knows no mood but denunciation, no instrument but the policeman's club or an injunction. And this means the greater development among business men of

that genuinely professional spirit which is one of the best guaranties of orderly progress during our readjustment period.

All this may appear to be only a dissertation upon the strategy of concession, by which the leaders in business and industry may keep things running smoothly for a time by granting just enough in a given situation to keep labor quiet and satisfy a progressive public opinion, and repeating the manœuver whenever industrial relations become strained. And such tactics will doubtless be used in certain quarters. Certain short-sighted leaders of business and industry will attempt to dilute discontent with half-measures. But the more far-sighted leaders see that as a false and costly procedure. The trouble with it is that there is no end to it. The appetite of labor, no less than the appetite of capital, grows by what it feeds on under a system of periodic strikes and periodic concessions. The preservation and promotion of sound business demands, therefore, that business men take into full account the freshly awakened and increased aspirations of labor which until some better method is established will attempt realization through demands that hold the latent threat of a strike;

and having taken these aspirations into account, and realizing that the situation cannot be met adequately either by benevolence or piece-meal concession on the part of employers or by usurpation on the part of employees, boldly face the problem of some new and better organization of the human side of industry.

It is fortunate that affairs have, in our day, assumed a posture that closes every other avenue of orderly progress. Unintelligent resistance to-day spells revolution; creative leadership spells progress.

This discussion has been purposely directed toward motive forces rather than specific policies, because the logic of events is leading toward more broadly conceived policies, but whether the logic of events will produce its perfect work depends upon the attitude which leadership takes.

To summarize, then, the simple thesis of this paper which I should hesitate to discuss at such length except that its current implications strike so closely at the heart of the total problem of American content and progress that reiteration may be pardoned in an earnest search for emphasis:

American business and industry rendered

history-making service during the war, because in response to emergency demands and governmental edicts and under the inspiration of a challenging cause business and industry were dedicated to the accomplishment of a great social objective, and business men brought to their work the same professional spirit that the doctor and sanitarian carry into a fever-stricken region that is to be reclaimed for civilized life. Both the insuring of orderly progress and the working out of a permanently successful business order, under the conditions the war has produced and left behind, require the continuance and development of that professional spirit in business. In normal times we cannot count upon a hot-house growth of the professional spirit in business, fostered by governmental requirements, but must depend upon the natural development of such spirit in our business and industrial leaders. That makes a study of the motive forces behind the business thinking of the country fundamentally important.

Before the war, the professional spirit in business was on the increase. Business was more and more demanding a breadth of knowledge and an intellectual preparation which

equalled if not exceeded the demands made by any of the time-honored professions.

Business men were more thoroughly visualizing their business in its social relations; they were becoming more concerned that, in addition to making profits, their business should make some ultimate contribution toward increasing the efficiency of the production, the justice of the distribution, and the sanity of the consumption of American wealth.

Business men were erecting standards of business ethics as the result of seeing that the complicated interdependence of modern life makes it possible for business men to commit all of the old sins by new methods that are indirect and impersonal.

Wherever these professional ideals have been brought into full and intelligent play in American business institutions, it has been proved that they are not simply idealistic but costly ventures that business men may afford to undertake, in a mood of benevolent paternalism, after a business has succeeded and piled up a surplus; rather that they are the corner-stones of permanently successful business.

Now that the war is over, business and indus-

try face the problem of a mass restlessness which in some quarters has a definite program, in other quarters simply a medley of undefined but active aspirations. Because the masses throughout the world have during the war become more keenly conscious of their political power, should they organize and use it, the inadequacy of mere make-shift concessions is apparent, and business leadership is challenged to make a fresh and constructive approach to the problem of industrial relations.

The primary inspiration of such a fresh and constructive approach to the problem of industrial relations may come from either of two groups — the men at the top, or the salaried men who do the actual job of administration in factories, mines, and stores. There is a fairly general disposition to make the man at the top the scape-goat for all of the injustice and conservatism that may mark a given industry. I have no desire to lift emphasis from the responsibility that the man at the top, by virtue of his position, must carry; but sound analysis demands recognition of the fact that frequently the salaried manager, who is administering the affairs of a local unit of an industry, is just as jealous of his perquisites of power and author-

ity and just as averse to any broadening of the base of control as the man at the top. In fact it will usually be found, in an industry where the administration of the human factor is unenlightened, that a hierarchy of resistance to any really forward-looking and creative policy respecting the human side of industry runs all the way from the directors' room to the office of the local boss. It is far easier and more dramatic, in a study of the relation of business leadership to social unrest, to point an accusing finger at a conspicuous director or financier and say, "Thou art the man!" But the application and administration of business liberalism is a more complicated matter than the mere preachment of business liberalism. It must take into account all the men and all the factors in the entire organization of industry and reckon in advance with the strength of opposition and support that may be expected or secured. The key groups, however, in the determination and application of any large policy in industry, as now organized, are the men at the top and the salaried managers who stand in daily contact with the work and the workers of the industry.

A better organization of industrial relations

may, therefore, come from the action of either of these groups. The successful administration of a new order demands, of course, a collaboration of these two groups. A new note in the human side of industry may be struck, and struck quickly, if the men at the top assume the full educational responsibilities of their position and deliberately inspire the salaried managers of industry to as consistent concern in the human side of industry as they already evince in the technical side. On the other hand, it may be that the new order will come more slowly as a result of pressure upon the men at the top by the younger salaried men who manage, men who have carried into their work the education and the ideals of the modern engineer who is not so unscientific as to leave out of his reckoning the human factor in any enterprise.

This much should be said, in passing, as an explanation, if not a defense, of the salaried man's slowness in experimenting with the human problem of industry: in the main, the salaried men of industry have not been made to feel that the men at the top were as deeply interested in the human as in the financial problem of industry. Therefore, it is for the men

at the top, at this time when sound business judgment prompts it, to create in the minds of the salaried managers of American industry the impression that a discovery on their part of a better way of handling the human problem of industry will receive as hearty welcome and as careful consideration in the directors' room as will a new method of extracting ore, let us say. The men at the top are now challenged by the present situation to create among their men the atmosphere for sane experiment with the problem of industrial relations upon exactly the same base of reasoning that prompts them to set scientists at work in their laboratories.

I think I could name twenty leaders of American business and industry who at this moment hold it within their power to determine the course of industrial relations in this country for the next twenty-five years at least. What I mean concretely is this: There are twenty outstanding leaders of American business and industry who have always been classed as conservative men concerned primarily with the financial problem of industry; if these twenty men should pool their brain-power in a study of the labor problem with the same sustained

thought they have given to financial problems, if they should counsel with students of labor as they have counselled with students of chemical, electrical, and other problems that touch their business interests, and if they should take the initiative in making a sincere and exhaustive study of the whole area lying between the extreme forms of private capitalism and the extreme forms of State Socialism in order to find out whether or not there is a middle ground of industrial self-government on which both labor and capital can stand in a co-operation that will minister to the legitimate aims of both, I have no hesitancy in saying that they—these twenty business and industrial leaders—could with dramatic suddenness invent a new order of industry. I am not being carried away with rhetoric. I have seen enough instances of industrial self-government at work to know that the tested principles of free, responsible, and representative government can be adapted to business and industry in a manner that will go far toward eliminating the waste of labor conflicts, uncovering hitherto unused reserves of enterprise and ingenuity in the working force, largely freeing the time of executives from the administration of discipline which to-

day drains away valuable executive energy that should be employed in the larger creative tasks of policy and expansion, and actually making business and industry more profitable. The twenty or more men whom I have in mind today have it in their power to create history as truly as did the men who formulated the Declaration of Independence or the men who drafted the Constitution of the United States. In fact the requirement of the industrial situation today is very much the same as the requirement of the governmental situation then. The labor problem today is not a problem of working-man psychology, as the attitude and policy of many men would seem to indicate they think. The labor problem is a constitutional problem. The constitutional problem that our political fathers faced, our business men face today in business and industry under the name of the problem of management or control. Until that problem is solved by genuine business statesmanship, the labor problem will doubtless continue as a balance of power game of see-saw, and in the midst of every labor conflict we shall hear the familiar jibes that labor's only interest is in shorter hours and higher wages and that capital's only interest is in longer hours and lower

wages, jibes that fly wide of the mark simply because no one faces boldly the real challenge of the labor problem. The American public is waiting for a business statesmanship that will attack the government problem in industry.

One does not wish to believe less than this: American business men of vision, face to face with the emergency demands of an era of change, will be an important party to the task of creating in this country a constructive liberalism that will restrain reckless radicalism by formulating and putting into effect a program bounded only by the frontiers of economic wisdom and practical justice.

IV

The Politics of Industry

Making war with phrases vs. Making war with principles—A phrase that will haunt the counsels of business and industry—The Balance of Power system breaks down in both international and industrial relations—Competition and drift vs. coöperation and control—The futility of half-measures—The origin of the modern labor problem—A glance at handicraft days—Lost assets of modern industry—Fighting for a lost control—Inadequate expedients—Collective bargaining—Strikes—Lockouts—Conciliation—Arbitration—Investigation—Social legislation—Welfare work—Profit-sharing—Scientific Management—What the ultimate labor issue is—Competitive bargaining vs. Coöperative government—England moves toward industrial self-government—The Whitley Report analyzed—Making industry a training school for political citizenship.

THE war has left the world with its face toward the dawn, impatient to crowd the progress of a century into a decade. The popular assumption, sedulously fostered by those with the greatest stake in the *status quo,* that social changes must of necessity be effected slowly if they are to be effected safely has been shattered. During the war, men on the battlefield and in the workshop have seen how quickly the industrial standards and processes of an

entire nation can be transformed when once the national will has come under the sway of a dominant and unifying motive. And men who have watched a new Industrial Revolution take place before their eyes within a few swift months are likely to be critical of any theory or leadership that attempts to set an unnecessarily slow schedule for progress in peace time. If new ideas outstrip our capacity to apply them, we shall find ourselves the victims of a mischievous medley of undigested idealisms; but, unless leadership abdicates in the face of its supreme opportunity, these new determinations of our time may be made the driving force of a period of unprecedented progress toward a finer organization of our common interests and actions.

The motivating stakes of the war were clearly certain basic principles, upon the vindication of which the integrity of civilization itself hinged—the principle of right as the basis of human association, the applicability of the moral law to public affairs, and the guaranty of the weak against the lawless aggression of the strong. Regardless of the frequency with which the ghost of Machiavelli may have walked through the corridors of certain foreign offices,

these were the principles that alike inspired our armies of industry and arms; these were the principles that set the tone of civilian morale; these were the principles upon which statesmen appealed to their countries. These principles ran through state papers and informal diplomatic conversations with the insistent recurrence of a motif, giving to the whole texture of international thought during the war the qualities of sustained and consistent purpose. A world debate ran parallel with the world war. The period of greatest distraction proved to be the period of greatest concentration upon fundamental ideas. The studied frivolities of dinner table conversations gave way to serious discussions of the conflict of ideas that was going on above the battle of arms. Abstract principles of political and social philosophy were turned into battle cries —a thing crowd psychologists could have proved impossible before the war. The American people, in particular, were drawn into the war by an ideal rather than driven into it by an insult. And that fact will have an important bearing upon after-the-war thought and action in this country. For to awaken the war spirit of a nation with a catch-phrase that

vividly expresses popular resentment to some dramatic insult is one thing; to awaken the war spirit of a nation with the lure of some fundamental principle is another thing. The catch-phrase, carried through the battle as a stimulator of morale, is forgotten in the first flush of victory; the fundamental principle has a more sustained vitality, reacting upon popular thought long after the battle and insistently demanding ultimate application. A phrase like "Remember the *Maine*" does not necessarily produce any after-war effects; but a phrase like "the world must be made safe for democracy" has in it a yeastiness that begins its real fermentation after the nation has had time to catch its breath from the exertions of war. That phrase will haunt the counsels of politics and industry for many years to come.

As Americans begin to assess the results of their Great Adventure in the war and to think out the implications of the principles they helped to vindicate, a plain parallel between international and industrial relations will be recognized. Men who have had this world debate on right as the basis of human association, the moral law in public affairs, and the safeguarding of the weak against the strong, tossed

back and forth over their heads as they fought in the trenches will quite naturally ask whether these principles, after being adjudged the guiding principles of international relations, should not assume similar primacy in industrial relations. When this sense of parallel really grips the popular mind, industrial statesmanship will find itself genuinely challenged. The brevity of our part in the war may have spared us many of the depressions and robbed us of many of the disciplines of war, but the examination and discussion of the principles for which the war was fought went to greater lengths in the United States, before the war's challenge was accepted, than in any of the belligerent countries. When, therefore, Americans begin to apply to industry the political principles for which they fought, the scope and insistence of the demand for application may be greater here than in Europe, although our industrial unrest may be less dramatic and emotional.

As a flash of lightning illuminates a landscape, the war revealed the existing systems of international and industrial relations for what they are, throwing into clear relief their essential inadequacies. Before the war, many

leaders both in the camp of capital and the camp of labor, from whom we had the right to expect constructive leadership, gave the problem of industrial relations but fractional consideration. They busied themselves now with this problem of wages and then with that problem of hours, but did not subject to critical examination the system of industrial relations itself. But the war has altered the attitude and widened the scope of industrial thought both in business and labor circles. And just as many statesmen have frankly acknowledged the breakdown of the old system of a balance of power and conflict of controls, and asserted the necessity for a fresh ordering of international relations based upon the greatest practicable degree of coöperation, so the best brains of business and labor frankly acknowledge that the old system of a balance of power and conflict of controls between capital and labor will no more meet the future demands of peace time than it met the demands of war time, and that the time has come for both capital and labor to bring high conception and courageous execution to the creation of a new order of industrial relations that will materially reduce, if not remove, the social and economic waste of

the present system of competing suspicions under which labor brandishes the strike weapon and capital anticipates or parries the blow with the lock-out or the injunction, while the public plays the rôle of the harassed neutral.

This new attitude, which outstanding leaders of both capital and labor are taking toward the problem of industrial relations, is marked by certain gratifying features. The fundamental reorganization of the present system of industrial relations is looked upon as an essentially conservative measure; not as a radical experiment proposed by doctrinaires detached from profit and loss responsibility, not as the organized demand of class cupidity, but as one of those normal changes in method to meet changed conditions which intelligent administration always effects. The parallel between international and industrial relations holds good in this particular. A new international order based upon a coöperation of power rather than a conflict of power is the only way that lies open, to those interested in sanely ordered progress, to control and administer the complicated interdependence of the modern world; it is in that sense a conservative proposal rather than the radical adventure in political knight-

errantry that certain statesmen, who persist in looking wistfully over their shoulders at George Washington, contend. In international relations the choice is between clear alternatives—competition and drift or coöperation and control. In industrial relations leadership is confined to a choice between the same alternatives. Political statesmanship must choose between international association and international anarchy. Industrial statesmanship must choose between a fundamental reorganization of industrial relations upon a more democratic basis and an intensified class struggle, with revolution as a probability to be reckoned with. The former means for society economy and conservative progress, the latter means costly radical excess.

Another gratifying feature of this new attitude is that its adherents are not wasting their energy and further complicating the situation by abusing either organized capital or organized labor; they are concerned with the using of both in the structure and processes of the new order. Capitalists have, in certain instances, abused the power of the lock-out and the injunction, granted. Labor leaders have, in certain instances, abused the power of the

strike, granted. But it is beside the mark to try to correct such abuses by bitter arraignment either of the anti-social capitalists or the anti-social labor leaders in question; both are the inevitable and logical product of an anti-social system of industrial relations. And the average American who criticises them would act exactly the same were he in their position, with their responsibility to their fellows, and their limited choice of instruments of influence under the prevailing system.

The most important thing in the whole intellectual approach to this problem of industrial relations and social unrest, on the part of the leaders of business and labor, is to see that what is at issue is the fundamental reorganization of a system, not the haphazard patching up of an old system. Whether it meets our wishes or not, the time for half-measures is past. Half-measures may delay, they cannot prevent the social revolution toward which the present "armed camp" system of industrial relations is inevitably working. The advocate of the half-measure is a but slightly less effective ally of the revolutionary than is the blind reactionary. This holds true even in the case of those willing to go far in the matter of re-

pairs. There are on all hands men who say: "This is a time of unrest. The workers are everywhere becoming articulate, demanding their place in the sun. If our businesses are to succeed we must adjust our methods to this fact, just as we change the weight of our clothing when we go into a milder or more severe climate. We may be obliged to make some rather costly concessions, but it is inevitable and we might as well be sportsmanlike about it." Such an attitude is a good long step beyond the attitude of the blind reactionary, but its fault is that it is determined upon the basis of concession instead of frank and courageous reconstruction. Such an attitude ignores the plain fact that it will not be enough simply to bow gracefully to such industrial readjustments of policy and administration as the war has proved to be of greater economic efficiency, to institute by careful economy of concession such reforms as may prove essential to a smooth return to normal industry, to patch up the patently weak spots which the war has revealed in economic organization, to speed up the machinery of production, and to effect something of a new deal in the distribution of the increased output so that all classes will share to some de-

gree. Concession, even when going as far as all this, will fail to meet the situation, for certain entirely clear reasons.

For one thing, such a policy of concession overlooks or affects to ignore the fact that the central significance of the current unrest, with its resultant programs of aspiration, lies not so much in the extent as in the character of the unrest. The one thing that a patch-work of palliatives and concessions does not touch is the one thing that lies at the heart of the modern labor problem and gives to the modern labor movement its sustained and vibrant purpose, and that is *the status of the worker in industry.* This question of status has been a question of increasing moment ever since the introduction of machine power in production and the rise of the factory system. Before that time, industry was a relatively simple affair in the matter of its mechanics and in the matter of its human relations as well. The man who was master of a handicraft produced his wares in his own home, where he associated with himself a few apprentices and journeymen. He and his workmen dined at the same family table. There was little, if any, social cleavage between the two—master and work-

men. The workman married the master's daughter, and pursued his labor as a scholar pursues a study, looking upon his labor as a process of education that would in time make him a master and secure for him the civic privileges of a freeman. The master owned his simple tools. He was master of his own profits. His customers were his neighbors—a fact that made good work a matter of personal pride and responsibility. The simple regulations of his guild and of his city safeguarded his trade. The men of this era of simple processes and intimate relations lived simply. Even the limited luxuries of the modern poor were unknown to many of the masters of that day. But the simple system had certain compensating advantages which have been lost and which it is the function of industrial statesmanship to restore in modern industry. These advantages, while clearly evident, merit a brief summarization which it will be valuable to throw into contrast with certain features of the present system of industrial relations, for out of that contrast will arise a clear definition of the ultimate labor issue. In the simpler days of industry, before division of labor came with its far-reaching possibilities of blessing

and blight, the workman was able to keep his spirit fresh and his eye alight with a creative and personal interest in the article he was producing, he was able to go his way with little of the fear of insecurity or the deadening sense of dependence, and he was lured by hope—the ladder that led from apprenticeship to mastership was not a discouragingly long ladder.

Then the machine entered, and the simple processes and intimate relations of the handicraft and small-scale production order of industry began rapidly to disappear. The race of masters of small shops from that time was a passing race. They could not buy the expensive machines as they had bought their simple tools, as they had bought their hand spindles and hand looms, for instance. Production forsook the home for the factory. The concentration of production in factories involved the concentration of workmen about the factory, impetus to the forces making for the crowded city. At first workmen showed spirited resistance to the introduction of machine power in production, which in the period of transition threw masses of workmen out of employment; factories were mobbed and machinery was wrecked. But the men who owned the machines had a telling way

with legislators. England placed the death penalty on the wrecking of machinery. The old masters began by breaking the machinery; they ended with having their own spirit broken. Men who had been masters of tools became servants of machines, and for the first time the world of industry was cut in two,—capital and labor,—and from the agonies of the displacement a legacy of class hatred hung over the new order. Machine production made for the steady disintegration of the three outstanding advantages of the hand-production system as mentioned above. It became increasingly difficult for the workman to maintain a creative and personal interest in the article being produced, when the only part he played in its production was the tending of a machine that with every click monotonously turned out one small part of the article, the workman in question never seeing even that small part fit itself into the finished whole. With every year industry became more and more specialized so that pride of craftsmanship found itself subtly disintegrated under the growth of a system of production which sentenced the average workman to devote the major part of his energy to countless repetitions of a single act or process, but

one of a hundred operations used in turning the raw material into the marketable article. With complete loss of the ownership of the instruments of production and of raw materials, the old sense of security gave way to the fear of insecurity both as to wages and to tenure of employment, and the upstanding independence of the handicraft days became dulled by a narcotic sense of dependence. For in the early stages of machine production the machines produced goods so rapidly that periodically a glutted market automatically stopped production until consumption could catch up; and that meant a work famine with the fear it threw into the hearts of the employed. It hardly needs saying that the new order of machine production dimmed the hope that formerly lured the worker—at least the particular hope he formerly entertained of ultimately becoming a master in his own right, for clearly the elect few alone would aspire to the accumulation of wealth sufficient to own a factory.

Here, then, are certain valuable industrial assets that were lost, let us hope temporarily, in the transfer of industry from the small-scale production of handicraft days to the grand-scale production of the power-machine:

personal creative interest in the product and a concern for maximum output, that sense of security and freedom from involuntary dependence without which the mind cannot be free for its best work, and justifiable hope of the continuous possibility of advance. It is important to remember that these effects have been produced not by the deliberate bad intentions of individuals with a corner on power, but that these effects are inevitable by-products of the transfer from an industry of hand production and personal relations between masters and apprentices to an industry of power-machine production and impersonal relations between employers and employees. I use the word inevitable in this connection without purposing to suggest that modern industry in itself implies of necessity the destruction of the creative spirit of the craftsman, and the dimming of the sense of security, independence, and hope; the thing that made the destruction of these inevitable in modern industry was the fact that when industry was transferred from the personal small-scale basis to the impersonal large-scale basis, the administrative brains of industry centered exclusively upon the mechanical problem of the transfer and ignored the human

problem involved. That was left to shift for itself. And the instincts of self-defense and self-interest, rather than conscious statesman-like administration, have dictated and devised the policies and instruments that both capital and labor, with certain heartening exceptions, today employ in dealing with the issues of industrial relations.

Stripped of details and many concurrent issues, I think this affords a fairly adequate background for consideration of the modern labor problem. At least it gives us a picture of the conditions that have called into being the policies and instruments that both capital and labor now use to maintain and advance their respective interests and rights.

Now, one thing lies coiled at the heart of everything I have pointed out, and that is that in the transfer from hand production or small-scale industry to machine production or large-scale industry the worker lost *control* of the instruments of production, lost *control* of the raw materials for production, lost *control* of the conditions under which production is carried on, lost *control* of the profits arising from production. And the history of the labor movement, from the time James Watt, in 1769,

harnessed the expansive power of steam to human use and made possible machine production down to the present, has been the story of labor's struggle to regain the fruits if not the fact of that lost control. To the cynical and the superficial the labor movement is a purely selfish struggle between a group called labor, trying to keep wages up, and a group called capital, trying to keep wages down; but it is essentially a competition for control, with a rich variety of meanings attached to that word. Specific demands and specific strikes for shorter hours and higher wages, aside from their immediate purpose, are part of this larger movement for a restoration of control, even in those instances where the leaders of such strikes are blind to the relation their immediate action bears to the larger movement.

Before the entry of machine production and the factory system the workmen exerted a *positive* control over industrial processes and industrial relations. Modern industry made and still makes that impossible. Workmen turned, therefore, instinctively to the attempted exercise of a *negative* control over industry, at least control over wages and conditions of work. Organized labor, collective bargaining,

and the strike are methods and instruments that have been evolved out of this attempt at negative control. Capital has, of course, countered with similar methods and instruments designed to meet in detail the procedure of labor. And thus the stage is set for the present relations of capital and labor, with the exception of certain happy variations which need not detain our analysis at this point.

The present system of regulating the relations between the parties to industry in the atmosphere of continuous class contest, latent or in action, from the public's point of view falls far short of the desirable. From the point of view of the intelligent self-interest of both capital and labor it is a costly and inadequate method of progress. It is important to remember, however, that this system was never deliberately planned as a desirable method of progress either by capitalists or labor leaders; it is the product of an instinctive evolution under the spur of self-defense and immediate self-interest. Nobody chose strikes and lock-outs as statesmanlike and desirable instruments for the effecting of social advance. They have been employed because, in the absence of industrial statesmanship, no other methods lay

readily at hand with which workmen might exercise some measure of control over the conditions and reward of their work, and with which capital might resist such attempted control *in toto* or provide against its running the full gamut to usurpation or expropriation. But the weakness of the whole round of partial policies and opportunist methods used by both capital and labor at present lies in the fact that they do not drive directly at the sustaining cause of the conflict between capital and labor. It will clear the air of irrelevancies to review briefly the more important of the policies and instruments now used in the administration of industrial relations and to attempt to assess their value as an ultimate solution or a fundamental contribution toward an ultimate solution of the labor problem.

Collective bargaining, as we have seen, is one of the logical products of the attempt of labor to exert a negative control over industry in place of the positive control it formerly exercised—a gesture of self-defense upon the part of a class from whom former weapons of protection had been taken. It is idle to rail at the use of collective bargaining in the absence of a better or equally effective method, but if we

are to arrive at a better method we must visualize the essential fault of collective bargaining as anything approaching a solution of the problem of industrial relations. I can do no better at this point than to quote Alfred E. Zimmern on collective bargaining. In an Oxford publication entitled "Progress and History" he says:

> It is the defect of the wage system, as Adam Smith makes clear to us, that it lays stress on just those points in the industrial process where the interests of employers and workpeople run contrary to one another, whilst obscuring those far more important aspects in which they are partners and fellow-workers in the service of the community. This defect cannot be overcome by strengthening one party to the contract at the expense of the other, by crushing trade unions or dissolving employers' combinations, *or even by establishing the principle of collective bargaining.* It can only be overcome by the recognition on both sides that industry is in essence not a matter of contract and bargaining at all, but of mutual interdependence and community service; and by the growth of a new ideal of status, a new sense of professional pride and corporate duty and self-respect among all who are engaged in the same function.

And in one of Mr. Zimmern's "Round Table" articles he further states regarding collective

bargaining this, which I have in part quoted in an earlier paper in this volume:

> Trade Unions and Employers' Associations are necessary parts of the organization of a modern state, and collective bargaining is clearly an advance on the old unequal system of individual wage-contracts. But collective bargaining between large-scale organisations of employers and workmen involves a piling up of armaments on both sides not unlike that of the rival European groups before the war. At its best it preserves the peace by establishing a precarious balance of power; at its worst it precipitates a disastrous conflict; and, in either case, whether it works well or ill for the moment, it is non-moral and inhuman, for it has no basis in a sense of common service or public duty. Hence it creates a feeling of divided interest and permanent estrangement which has been all too visible to the rest of the community during the recurring industrial crises of the last ten years.

It is quite clear that collective bargaining, however necessary it may be in the absence of a better method, cannot be considered as more than a half-way house on the road to an ultimate solution of the problem of industrial relations.

Respecting strikes little need be said beyond a statement of the fact that the strike is frankly recognized by labor as an emergency instru-

ment to be brought into use when other available means of influence and control fail. I am not concerned here with the complex of opinions regarding the use and abuse of the strike; I am concerned only with the fact that not even the users of the strike regard it as a solution.

Respecting the lock-out and the injunction, which are counter measures that capital has used in meeting or anticipating the strike, the same may be said as has just been said regarding strikes. No capitalist thinks of lock-outs or injunctions as elements of a solution; they are frankly war measures.

Conciliation likewise falls short of a solution. Conciliation serves an invaluable function in adjusting differences that have their roots in misunderstanding of policy or motive. The record of conciliation in the United States, Great Britain, Canada, New Zealand, and Australia is the record of a highly valuable method for the reduction of the wastes of open breaks between the parties to industry. But conciliation as a matter of fact does not deal with root causes; its paramount aim is industrial peace, and its paramount temptation is to regard industrial peace as an end in itself. Too frequently it becomes industrial pacifism, with a

leaning toward peace at any price. Peace at any price, when an issue of right and wrong is at stake between nations, has had its day in court and the popular verdict has gone against it. Is it less reprehensible in a clean-cut issue in industrial relations? The peace which conciliation too frequently has in mind is the immediate peace of the community rather than a lasting peace between capital and labor. Industrial peace and international peace alike are not ends in themselves; they are means to an end—the end of freedom and self-respect. It is a common-place that international justice does not necessarily flow from international peace, but contrariwise. Just so social justice is not a by-product of industrial peace, but the other way around. Conciliation is a valuable instrument that will always be necessary, regardless of the system of industrial relations, but it is not a solution.

Arbitration differs from conciliation in the fact that a third party is present with the power to balance claims and evidence and pass binding judgment thereon. The practical weakness of arbitration, in making a fundamental contribution to the solution of vexed industrial relations, lies in the difficulty the arbitrator

has in acting upon more than an opportunist basis of judgment. In fact the average arbitrator jockeys the parties in dispute toward the settlement most likely to be accepted, and that makes it very difficult for the arbitrator to arrive at a decision upon the basis of abstract justice. He must perforce balance the strength of the opposing parties and reach a decision that stands a good chance of acceptance. Frequently the arbitral award is accepted because the strength of one of the parties can afford to accept it, and the weakness of the other one of the parties must accept it. In such cases sullenness follows assent and real industrial peace is not advanced; simply one crisis is bridged over. Just because arbitration has such difficulty in arriving at a decision upon the basis of justice, there is always the possibility that the weaker party will feel justified in flouting the decision when the posture of affairs shifts and the chance for a more advantageous settlement seems to offer itself. We have not been without examples in this country when one of the parties to industry has agreed to arbitration and award and then flouted the decision of the duly constituted tribunal. As a matter of ethics that is indefensible. It is use-

less to hope for ordered progress, if we cannot reckon upon the sanctity of contract and agreement. But getting into a fever about isolated cases of broken agreements is of slight use. Profanity and righteous indignation cannot take the place of intelligent administration of a difficult situation. The scientist searching for a cure for tuberculosis does not damn the bacillus under his microscope; he studies it, learns its actions and effects, and attempts to devise a remedy or preventive against it. Just so it is essential that we recognize the limitations of arbitration, voluntary or compulsory, and deal with the causes which, rightly or wrongly, prompt organized groups to scout the method or flout the award, when really fundamental issues are at stake.

Investigation that shall insure a putting of the full facts before the public in a labor dispute, so that public opinion may not be swayed either by demagogic appeal or false sympathy, is a salutary method always. There is room for a wider and more systematic use of this agency. As W. L. Mackenzie King in his "Industry and Humanity" points out:

> Investigation is useful as a method, and imperative where a situation is intricate, or the numbers of per-

sons directly or indirectly affected are considerable. Investigation is a letting in of light. It does not attempt to award punishments or to affix blame; it aims simply at disclosing facts. Its efficacy lies in what it presupposes of the power of Truth to remedy evil of itself. Its use is a high tribute to human nature, for it assumes that collective opinion will approve the right, and condemn the wrong. Willingness to investigate is *prima facie* evidence of a consciousness of right. In the absence of good and sufficient reasons, refusal to permit investigation is equally *prima facie* evidence of weakness or wrong. So powerful is Investigation as a means of inducing right behavior, that authority to employ this method at any or all times is of itself protection against injustice. The statutory right to investigate disputes, which some public boards enjoy, has been found sufficient to influence parties to industrial differences to settle their controversies both voluntarily and speedily.

Within an industry, the right of investigation is usually exercised in the form of an appeal from a subordinate to a higher authority. All such rights of appeal are guarantees against arbitrary conduct and unfair dealing. The higher the right of appeal may be carried, the greater the safeguard. To make this right effective, it should at some point lie wholly beyond influence by any of the parties in interest.

But investigation is, of course, only an antiseptic. The publicity of the results of investigation can discourage, drive to cover, or pre-

vent manifest injustice and unfairness of dealing that public opinion plainly would not tolerate; but investigation is negative and lacks the character of positive administration which is essential in any adequate dealing with industrial relations. Conciliation, arbitration, and investigation are indispensable instruments of any industrial system, but they may not be looked upon as offering adequate machinery for the total regulation of industrial relations. They deal with disputes after they have arisen; but industrial peace and progress require policies and machinery that will deal constructively with the conditions out of which disputes arise.

Social legislation designed to create a sense of security against unemployment, accident, sickness, old age, and kindred fears of labor realizes its immediate aim, the increased sense of security, but does not seem materially to lessen the vitality of the labor movement, a fact that might suggest that security and material safeguards are not the sum and substance of labor's aspiration. Any attempted solution or partial solution of the labor problem that proceeds upon the assumption that security is the

goal that comprehends the whole round of labor aims is assured of failure Mr. Zimmern, from whose illuminating studies of the problems of industry I am quoting at length in this paper, touches this matter in a pointed analogy drawn between the security of paternal legislation and the security of feudalism. He says:

It is constantly being said, both by employers and by politicians, and even by writers in sympathy with working-class aspirations, that all that the workman needs in his life is security. Give him work under decent conditions, runs the argument, with reasonable security of tenure and adequate guarantees against sickness, disablement, and unemployment, and all will be well. This theory of what constitutes industrial welfare is, of course, when one thinks it out, some six centuries out of date. It embodies the ideal of the old feudal system, but without the personal tie between master and man which humanised the feudal relationship. Feudalism . . . was a system of contract between the lord and the laborer by which the lord and master ran the risks, set on foot the enterprises (chiefly military), and enjoyed the spoils, incidental to mediaeval life, while the laborer stuck to his work and received security and protection in exchange. Feudalism broke down because it involved too irksome a dependence, because it was found to be incompatible with the personal independence which is the birthright of a modern man. So it is idle to ex-

pect that the ideal of security will carry us very far by itself towards the perfect industrial commonwealth.

Welfare work instituted and carried on by employers does not bring us any nearer a solution of the tangled riddle of industrial relations. Percy Stickney Grant in his "Fair Play for the Workers," which is an attempt to state the workers' point of view regarding the problems centering in industrial relations, interprets the workman's attitude toward the welfare work of employers as follows:

The newspaper-reading public and conservative business men, when confronted by the labor problem, are often confused by the behavior of working-men toward employers famous for their kindness. During the Pullman strike it was hard for the public to understand how the employees of the company could be so hostile and could commit acts of violence. Had not Mr. Pullman given them an ideal town to live in, all at his own expense?

. . . The working-man's great complaint today is his helplessness, and it is perfectly clear that whatever increases this sense of helplessness will really increase his outcry. Working-men don't like to have things done for them. The more that is done for them, the more they feel in the power of the person who is responsible even for their benefits. . . . Paradoxically enough, . . . some of the most serious explosions of

indignation have taken place amid the fairest environment that can surround the conditions of toil. . . . Working-men say that if corporations can afford these extras, these adornments and additions to the comfort of their people, then they can afford to give better wages. Of the two methods of distributing a surplus, the working-man prefers the latter. He would rather take his chances in an ordinary factory with higher pay and use the addition to his income as he pleases.

In other words, the working-man realizes, or, at any rate, asserts, that he himself is paying for the improved tenements, for the parks, for the libraries, for the comforts and conveniences of the superior factories, for kindergartens, for lessons in cooking, for lectures, for flower-gardens, for flower-boxes outside the windows, for baths, etc. While he is meeting the cost of these advantages, he finds the world at large praising his employer as a notable philanthropist, and in his heart he regards this as a sham. At all events he would rather be his own philanthropist.

I have quoted this, not in order to pass personal judgment upon the justice or injustice of the working-man's point of view in this matter, but to indicate that welfare work offers no key to the riddle.

Nor does profit-sharing as usually administered offer in itself a solution to industrial unrest or furnish a final basis for cordial indus-

trial relations. Profit-sharing, when its full implications are worked out, may come nearer to a solution than any of the matters I have mentioned, but I have here in mind profit-sharing as normally conducted. Here again let me summon one who, from wide experience in labor matters, can speak with sureness and authority. W. L. Mackenzie King, in his volume referred to earlier in this paper, says:

As the term "profit-sharing" is generally used, it means the distribution among wage-earners of part of the net profits of an undertaking. Where the rate of return at which labor is rewarded in the first instance is the standard rate, so that the share which labor receives from the net profits is in no sense a restoration, in whole or in part, of the wages it should have received before net profits were estimated, the objection of labor to this method of rewarding effort is in large measure removed. Often, however, in estimating net profits, capital and management are tempted to regard the remuneration of labor as an item in the cost of production to be kept as low as possible. It is hard for labor to believe that this is not what is generally done, and to understand why, if extra payments are available in the form of dividends out of net earnings, they should not be as readily available in the form of higher wages at the outset. . . .

. . . there is yet another ground on which organized labor fears profit-sharing. Trade-union effort to

raise the status of labor seeks reinforcement from a growing belief among workers in the solidarity of labor. Whatever tends to weaken or destroy the class interest is apt to be viewed with misgivings as likely to lessen the possible power of organization as a whole. . . . It is not surprising, therefore, to find that, where the result of profit-sharing is genuinely such as to improve the status, and not merely the temporary earnings, of working-men, labor's opposition to profit-sharing has not only been silenced, but profit-sharing has found some of its strongest advocates in the ranks of trade unionists.

It will be sufficient to mention one other policy which, despite the ambitious claims made in its behalf by its partizans, fails to afford a basis for the administration of industry mutually satisfactory to capital and labor, and that is scientific management. That the labor-saving devices of scientific management represent new and valuable assets to production may not be questioned. It is the reaction of scientific management upon the worker that presents a problem which the advocates of scientific management must solve before the principle can gain a fundamental foothold in industry with the full assent of labor. It tends to mechanize the worker. It centralizes responsibility for initiative in the scientific man-

ager, and allots to the worker a charted action which he must carry out with economy of motion. It makes the worker a better tool, but a poorer craftsman. It pushes the specialization of modern industry, which has already created a problem of cramped initiative, still further. It makes for greater centralization of management. It is met with open hostility by labor. Labor fears that the rate of wage increase under scientific management will not be in just proportion to the gains of capital; but most of all fears a weakened status as the result of a system that fully worked out will have a diminishing dependence upon experienced workers. Certain scientific managers assert that they are confident they could place their factory upon a paying basis within three months in the event they lost their entire working force except the staff of managers and the minimum number necessary to maintain the organization and were obliged to begin again with green hands. It is quite clear that scientific management, if it is not to be a disruptive factor in the labor situation, must be installed with the consent and coöperation of labor. Labor will never consent to the extreme forms of scientific management that turn a man into a

machine. Far from being a solution of the central problem of the control of industry, the very proposal of scientific management makes acute the issue of labor's desire for a greater share in the control of the processes and profits of industry.

At the end of this survey of some of the outstanding policies, methods, and instruments used or proposed for the administration of industry—collective bargaining, strikes, lockouts, injunctions, conciliation, arbitration, investigation, social legislation, welfare work, profit-sharing, and scientific management—the thing that stands clear is that no one, or all of these combined will succeed in shifting the administration of industrial relations from the present balance of power basis. These cannot be considered as solutions; they fail to touch the ultimate labor issue—the status of the worker in industry, and his relation to the control of industry. Unless the question of the workers' relation to the control of industry is cleared up by constructive thought and action in which capital shares, there is a very definite possibility that the labor movement will be captured by the extreme wing of labor thought which desires the overthrow of the present sys-

tem of privately owned industry and the passing of control fully into the hands of the workers.

The adherents to the present order of privately owned industries are, therefore, challenged to join in a fresh, unprejudiced, and thorough attempt to find whether there can be devised methods of association between capital and labor that will satisfy the legitimate aspirations that lie at the heart of the present world-wide unrest, guarantee orderly progress, and keep industry a going concern. Now, I have not built the arguments of this paper to this point in order to launch a personal theory, but to report what some of the best minds of both capital and labor are thinking and saying regarding the way out.

We have seen that the fundamental weakness of past attempts to bring industrial relations to a state of harmony and efficiency has been that industrial relations have been looked upon as a problem of bargaining between competing groups instead of a problem of government by collaborating groups. Industrial relations in handicraft days presented a problem of adjustment between individuals. Industrial relations under modern grand-scale production present a

problem of adjustment between groups highly organized. The former was a problem of bargaining; the latter is a problem of government. To the present, however, we have persisted in an attempt to handle the new problem with the old technique. It was useless to hope for any constructive treatment of the problem of industrial relations until the leaders of business, of industry, and of labor visualized the modern labor problem for what it is—a problem of permanent government rather than periodic bargaining. Today there is on all hands throughout business circles a clear recognition that only by a frank facing and constructive treatment of the problem of government in industry can industrial peace be secured. I want now to present the conception of the labor problem that is assuming a gratifying distinctness in the minds of responsible leaders of business, industry, and labor; and to follow the statement of this conception with a statement of the machinery and organization which is being proposed for the handling of industrial relations upon the basis of definitely organized government in industry.

I find myself again turning to Mr. Zimmern for the clearest available statement of the new

conception of the labor problem as it is taking definite form in the minds of the leaders of British industry particularly. His statement may be taken as accurately interpretive of a growing body of British opinion. In a chapter on "The Control of Industry," in his volume on "Nationality and Government," he says:

> Industry and politics are two very closely related functions. The object of politics or government is to carry on the public business of the community; to pass the laws and make the administrative arrangements which are needed in the interests of the community as a whole. The object of trade and industry is very similar. It is to serve the needs of the community; to provide the goods and services which are necessary to its existence and well-being. It is, therefore, not at all surprising that the same standard should tend to be adopted in both, and that that standard should conform to the general view of life in vogue in the country. . . .
>
> But industry and politics do not resemble one another only in their objects. They resemble one another also in their methods. Both have certain work to get done for the community, and in both cases the question arises how that work shall be organized. Both industry and politics are faced by what in politics is called the constitutional problem and in industry the problem of management. . . . In politics, so far as this and most Western countries are concerned, this problem has been decided in favor of

democracy. . . . In industry, however, the problem of management is still unsolved, or rather it has hitherto been decided in a direction adverse to democracy. . . . The problem of management, what I would call the constitutional problem in industry, the question as to how the industrial process shall be controlled, is already, and is likely to continue, the burning issue in industrial policy.

Industrial democracy . . . does not mean handing over the control of matters requiring expert knowledge to a mass of people who are not equipped with that knowledge. Under any system of management there must be division of labor; there must be those who know all about one subject and are best fitted to deal with it. Democracy can be just as successful as any other form of government in employing experts. Nor does democratic control, in the present stage at any rate, involve a demand for control over what may be called the commercial side of management—the buying of the raw material, the selling of the finished article, and all the exercise of trained judgment and experience that are brought to bear by business men on these questions . . . at present at any rate the workers' demand for democratic control is not a demand for a voice in the business, but for control over the conditions under which their own daily work is done. It is a demand for control over one side, but that the most important side because it is the human side, of the industrial process.

Elsewhere he summarizes his thesis by saying that between the extreme forms of state

socialism and the extreme forms of private capitalism there exists an intermediate region of industrial self-government.

All this might be readily dismissed or listened to with a tolerant courtesy were it simply a publicist's notion; but in England this conception of the labor problem has given rise to a definite program that is supported by many of the most responsible and conservative leaders of business and industry, and that the government has adopted as an official policy and made a measure of practical politics. An illuminating and abundant literature has grown up in this field, an interpretive digest of which would afford effective stimulation to American thought upon the problem of industrial relations. Instead of attempting that, however, I desire to treat here of the one official documentary formulation of the proposal for industrial government which has served to crystallize English opinion and afford a basis for practical action—the Whitley Report.

A committee of expert students of industrial relations, under the chairmanship of the Right Honorable J. H. Whitley, M. P., Chairman of Committees of the House of Commons, was appointed in 1917. The terms of reference to the

Committee on Relations between Employers and Employed, as the Whitley committee was called, were:

1. To make and consider suggestions for securing a permanent improvement in the relations between employers and workmen.

2. To recommend means for securing that industrial conditions affecting the relations between employers and workmen shall be systematically reviewed by those concerned, with a view to improving conditions in the future.

With all promptness consistent with thoroughness the committee prosecuted its investigations and formulated its suggestions which appear in the First (interim) Report on Joint Standing Industrial Councils, under date of March 8, 1917, together with three later reports representing supplementary and more detailed considerations. The report gives plain evidence of certain general considerations that dictated the specific suggestions it makes. It will be of value to indicate these general considerations.

The report is based upon the assumption that the most workable solution of the problems arising out of industrial relations is likely to come from the voluntary coöperative action

of employers and employees rather than from the arbitrary imposition of government regulations; that the system of industrial relations springing from such a voluntary collaboration, as the faithful expression of joint thought and agreement, will be more likely to prove permanent and effective than an even better system shoved down over recalcitrant groups by executive order. This is clearly expressed in a letter, under date of October 20, 1917, that the Minister of Labor addressed to Employers' Associations and Trade Unions. In answering certain questions raised in communications to the Ministry of Labor, he said:

> Fears have been expressed that the proposal to set up Industrial Councils indicates an intention to introduce an element of State interference which has hitherto not existed in industry. This is not the case. The formation and constitution of the Councils must be principally the work of the industries themselves . . . the success of the scheme must depend upon a general agreement among the various organizations within a given industry and a clearly expressed demand for the creation of a Council.

This matter of self-solution of the problems of industrial relations by the two active parties to industry as contrasted with state regulation

is emphasised in the report itself. Since that issue may become acute in the United States, it is worth-while to reproduce the reference the report makes. The report states:

It has been suggested that means must be devised to safeguard the interests of the community against possible action of an anti-social character on the part of the Councils. We have, however, here assumed that the Councils, in their work of promoting the interests of their own industries, will have regard for the national interest. If they fulfil their functions, they will be the best builders of national prosperity. The State never parts with its inherent over-riding power, but such power may be least needed when least obtruded.

The report is further based upon the assumption that a satisfactory system of industrial relations can be more easily created and more effectively administered if there is complete and coherent organization of both employers and employees in all industries. On this point the report reads:

An essential condition of securing a permanent improvement in the relations between employers and employed is that there should be adequate organization on the part of both employers and workpeople. The proposals outlined for joint coöperation throughout the several industries depend for their ultimate suc-

cess upon there being such organization on both sides; and such organization is necessary also to provide means whereby the arrangements and agreements made for the industry may be effectively carried out.

It is interesting to see big business men in England arguing for the complete organization of labor, in view of the pronounced attitude of many American business men in this matter.

A further assumption underlying the report is that there is imperative need for machinery that will bring employers and employees together for continuous consultation upon matters of mutual concern other than matters in dispute; that there is a serious gap in an industrial organization that provides for conference only when one of the parties has a grievance. On this point the report states:

The schemes recommended in this report are intended not merely for the treatment of industrial problems when they have become acute, but also, and more especially, to prevent their becoming acute. We believe that regular meetings to discuss industrial questions, apart from and prior to any differences with regard to them that may have begun to cause friction, will materially reduce the number of occasions on which, in the view of either employers or employed, it is necessary to contemplate recourse to a stoppage of work.

The general idea that permeates the whole report is that industrial peace and efficiency demand candid and constructive treatment of the fundamental aspiration of labor, which promises to be voiced with increasing vitality, for a greater influence and control over those parts and processes of industry that most vitally touch the workmen's interests. It is refreshing to see the framers of this report go past the inadequate expedients referred to earlier in this paper and drive directly at the heart of the labor problem, although extremists contend that they betray but a Platonic interest in the full implications of the workman's interest in actual joint control. But the framers frankly state their convictions on this point in a manner that indicates a healthy appreciation that the questions of status and control underlie the more material issues of wages and hours. On this point the report reads:

> We have thought it well to refrain from making suggestions or offering opinions with regard to such matters as profit-sharing, co-partnership, or particular systems of wages, etc. . . . We are convinced . . . that a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis. What is wanted

is that the work-people should have a greater opportunity of participating in the discussion about and adjustment of those parts of industry by which they are most affected.

The Whitley report, then, is based upon these four general considerations: (1) the self-administration of industry rather than governmental regulations; (2) the complete and coherent organization of both employers and employed in all industries; (3) continuous consultation instead of intermittent parleys, with the view to removing the causes as well as adjusting the issues of disputes; (4) the securing to the workmen a larger voice in the control of those parts of industry by which they are most affected.

The machinery proposed by the Whitley report is designed to meet, in its requirements and working, the four general considerations just summarized. The report suggests as desirable three units of organization, as follows:

(1) National Industrial Councils;
(2) District Industrial Councils;
(3) Local Works Industrial Councils.

This triple organization of national, district, and work-shop bodies is designed for application to each industry separately. The scheme

looks upon a factory as an industrial community requiring government, just as a municipality requires the forms and functions of a government. Unless the analogy is pushed too far, it may be said that the plan divides industrial government roughly along the lines that in the United States divide municipal, state, and federal government. Each of these bodies is composed of a joint membership of employers and employed, is to meet regularly, and is to assume constructive as well as conciliatory functions. The report sedulously avoids the appearance of any attempt to impose a finished system upon all industries; it makes no attempt at a rigid standardization of forms, leaving the widest latitude of choice in the matter of the specific forms a given industry shall see fit to adopt.

The report at all points avoids the appearance of a comprehensive analysis or complete recommendation; it purposely keeps its recommendations suggestive merely. This appears in its recommendations regarding the possible jurisdiction of these joint Councils. A discussion in great detail of the questions that might come under the jurisdiction of work-shop committees may be found in the published results

of enquiries arranged by the section of economic science and statistics of the British Association during 1916 and 1917. The results of these enquiries appear in a volume entitled "Industry and Finance." I do not purpose, however, to go into detailed discussion at this point on the jurisdiction of these councils. That may better be reserved for a later paper, after there has been time to watch the councils in operation over a period of time long enough to warrant generalizations that may afford some guidance to American thought in this field. But it will be valuable to reproduce at this point the suggestions of the Whitley report which states:

> Among the questions with which it is suggested that the National Councils should deal or allocate to District Councils or Works Committees the following may be selected for special mention:
>
> 1. The better utilization of the practical knowledge and experience of the workpeople.
>
> 2. Means for securing to the workpeople a greater share in and responsibility for the determination and observation of the conditions under which their work is carried on.
>
> 3. The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages,

having regard to the need for securing to the workpeople a share in the increased prosperity of the industry.

4. The establishment of regular methods of negotiating for issues arising between employers and workpeople, with a view both to the prevention of differences, and to their better adjustment when they appear.

5. Means of ensuring to the workpeople the greatest possible security of earnings and employment, without undue restriction upon change of occupation or employer.

6. Methods of fixing and adjusting earnings, piecework prices, etc., and of dealing with the many difficulties which arise with regard to the method and amount of payment apart from the fixing of general standard rates, which are already covered by paragraph three.

7. Technical education and training.

8. Industrial research and the full utilization of its results.

9. The provision of facilities for the full consideration and utilization of inventions and improvement designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.

10. Improvements of processes, machinery, and organization and appropriate questions relating to management and the examination of industrial experiments, with special reference to coöperation in carrying new ideas into effect and full consideration of

the workpeople's point of view in relation to them.
11. Proposed legislation affecting the industry.

I have taken the trouble and space to present this analysis of the Whitley report which stands at the center of British policy with regard to the labor problem and social unrest, because even as important a document as this report is slow in getting to our reading public. But this plan will doubtless come up for extended consideration in the United States as we get more fully into our reconstruction difficulties, and I have, therefore, thought it important to present its general character and some of its implications in this paper.

We should keep ourselves free, as the authors of the report have kept themselves free, from the delusion that this proposal is a panacea guaranteed to cure all industrial ills. It is frankly conceived as a practically possible step that will take us a little farther along the road of reasonable progress. It is stoutly opposed by those who give no quarter to the present syster of privately owned industry, who desire complete ownership and operation by the workers. G. D. H. Cole, the belligerent young apostle of the Guild movement, states this attitude very pointedly:

The Whitley report . . . only regularizes and formalizes a process which has long been going on in most of our principal industries, and one which would have continued whether there had been a Whitley report or not. In fact, the control of industry cannot be altered merely by the setting up of a few Joint Committees. The control of industry rests upon the economic power of those who control it; and only a shifting of the balance of economic power will alter this control.

The plan is also opposed by those who fear that regular conferences in which the employees would talk face to face with the employers or managers would tend to conservatize the employees and take the fighting edge off the labor movement. Such men conceive industry as a play of opposed rather than common interests. A pointed expression of this point of view is found in this statement made by Gilbert K. Chesterton:

My immediate advice to labor would be to stick to its strict rights of combining and striking; and certainly not to sell them for any plausible and partial "participation" in management. I distrust the latter because it is in line with the whole oligarchic strategy by which democracy has been defeated in detail. The triumph of capitalism has practically consisted in granting popular control in such small quantities that the control could be controlled. It

is also founded on the fact that a man who can be trusted as speaking for the employees often cannot be trusted for long when speaking with the employers. He can carry a message, especially a defiance; but if he prolongs a parley, it may degenerate into a parliament. The parley of partners would be lifelong; and I fear the labor partner would be a very junior partner.

As I have stated earlier in this paper, the suggestions of the Whitley report are not the last word in industrial relations. The value of the plan lies in the fact that its acceptance will establish certain fundamental principles without which there is no hope of escaping from the balance of power system of industrial relations. The fundamental principles which the plan establishes may be summarized as follows:

1. The plan is based upon a sound conception of what the ultimate labor issue is—the issue of representative government in industry.

2. The plan establishes the principle of conference between equals.

3. The plan establishes the principle of equal representation of equally strong and well organized forces.

4. The plan establishes open diplomacy in business as a counter-measure to the suspicions

and lack of confidence that mar the present relations between labor and capital.

5. The plan establishes the principle of legislation by industry for industry.

6. The plan marks the beginnings of constitutionalism in industry.

There are two equally grave dangers involved in the consideration of this question of government in industry. It will be dangerous to assume that labor is incapable of assuming joint responsibility in the larger matters of industrial policy and management. With labor articulate, as it is today, that will prove simply a "sitting on the lid" policy which will presage an explosion. It will be equally dangerous to ignore the fact that men need training in the use of power, and push the organization of industrial government beyond present trained capacity in the ranks and leadership of labor.

The report of the Whitley committee has met with serious consideration at the hands of all sorts and conditions of men and interests because there is a growing conviction that while in the past society has constantly been reminded of its duty to keep a condition of law and order in social relations in order that business and industry might develop unhampered,

the time has now come for the community to turn to industry with its own demand reversed and insist that industry establish within its boundaries such law and order as will permit society to develop unhampered.

An effective carrying out of the ideal of government in industry will react favorably upon the quality of political action in the community. Critics constantly take flings at the political incapacity of the average citizen. The criticism has a basis in fact that will remain valid as long as the political action of the average voter is restricted to balloting on isolated election days. But a constitutionalizing of industry will mean a turning of our factories into training schools that will develop political capacity in the workman. It will not only reduce friction in industrial relations but will make the average workman a better citizen and a more intelligent voter.

We should remember that the proposal of joint control in industry is nothing new. It is attempted every day. Under the present system of effecting a control of industrial relations by governmental regulation, both of the active parties to industry attempt to control the processes of legislation. Capital attempts subtly

to influence legislation, while labor now and then attempts boldly to intimidate legislators.

The advocates of the Whitley report have wisely pointed out that the representation of labor in the councils of industry is imperative not because management is unimportant, but because the importance of management is so critical that it is essential that it have behind it the confidence and coöperation of all who are affected by it. The goodwill of a factory's labor force is certainly as vital as the goodwill of its market. The manager of the future will see the need of the sympathetic support of the working force, and realize that his effectiveness, no less than the effectiveness of a premier and his cabinet, demands the ability to secure a vote of confidence when a critical situation arises.

Any plan that might be proposed for a more representative government in industry will be distrusted by certain employers who will feel that it grants too much power to the workers, and distrusted also by certain workers, bent upon Bolshevising industry, who will feel that it grants too little power to the workers. But I have reported in this paper a plan that has been formulated and supported by careful

minded men who have attempted to study discontent with the same dispassionate spirit in which the scientist studies disease. It is probably true to say that even this plan, with all of its limitations, would not have been formulated at this time save for the existence of a widespread and settled determination in the ranks of workmen the world over to attain a greater voice in industry. The movement toward representative government exists in industry just as it has existed and exists in politics. The question that concerns men who want consistent and orderly progress instead of revolution is whether the King Johns of business and industry will collaborate with labor or take an attitude that will drive labor to wrest from them by revolutionary methods the Magna Charta of a new order in industry.

We have come upon a time when blind prejudice and the closed mind are suicidal. I have before me as I write an editorial which purports to analyze the current unrest and point out the crux of the labor problem in the United States. It is a perfect expression of that social blindness which furnishes dramatic issues to revolutionists. The editorial, in part, says:

Our country would be contented and happy if it were not for the work of parasites, theorists, and weaklings, mental and moral, who promote unrest, discontent, and agitation for their own ends and purposes. Our industrial questions are not serious except in the fact that a few ambitious self-seekers and malcontents make an issue of them, distort them, lie about them, and promote discontent by misstatements and promises impossible of performance. . . . Our troubles arise from a toleration of pests. . . .

Now, no student of the situation will deny the existence of the professional malcontents described. But to see in the agitator the sole cause of a problem and movement that girdles the planet is plain bankruptcy of intelligence.

It is refreshing to throw into contrast with that sort of statement the statement of a fine conservative mind like that of Lord Milner's. No one will accuse Milner of intellectual recklessness, but he has sensed the temper of his time in this statement:

It may be said—using the word in no party sense—that we are all Radicals today, all prepared to entertain, and to judge dispassionately on their merits, proposals which only a few years ago would have seemed wildly revolutionary . . . we all recognize now that there must be a fresh effort of economic and social organization.

Progress will be orderly to just the degree that responsible leadership brings to the present situation clear perception and a mediating ministry of guidance into such new policies and new organization as the altered conditions clearly warrant and require.

V

BUSINESS STATESMANSHIP

Decentralizing statesmanship—Political policemen vs. Business statesmen—Conservatives and radicals join forces against political bureaucracy—The current sets against the bureaucratic state and the Socialistic state for same reason—The center of social authority shifts from politics to industry—Making the invisible government visible and socially responsible—A state that cannot meet an emergency without abdicating—Representative government lags behind the facts of modern life—American government not designed for quick response to public will—Business meets demands of awakened labor with statesmanship instead of blind antagonism—Business democracy vs. business autocracy—A forecast—A store tries self-government.

THE other day, in glancing over a series of papers I had written on certain post-war tendencies, I discovered myself using, with a frequency I had not before realized, the word "statesmanship" in all sorts of connections—business statesmanship, industrial statesmanship, educational statesmanship, medical statesmanship, and so on. There is, of course, nothing new in these varied adaptations of the term. They are sprinkled rather freely through the liberal literature of the last ten years. But

seeing such a variety of these adaptations of statesmanship within the small compass of one series of papers, and realizing that they were there not from any unified design but from the separate consideration of the several fields of which the series treats, led me to question whether I was simply falling victim to a current catch-word and indulging in the easy retailing of a young platitude. But on second thought I realized that I had been reckoning, more or less unconsciously, with an actual tendency of our time toward a widening and redistribution of the functions and responsibilities of statesmanship.

Now, if it is true that many of the functions and responsibilities commonly credited to political statesmanship are devolving, or clearly should devolve, upon the leadership of business, industry, agriculture, education, medicine and other such functional fields of interest, the administration of which touch with a most intimate concern the daily lives of all of us, then that fact involves on the one hand a redefinition of political statesmanship, and on the other hand plunges the leaders of business, industry, agriculture, education, medicine and other occupational fields into new and untried adventures

which will attach to the position of all such leaders far-reaching new possibilities of personal interest and social significance.

All this lies so closely at the heart of those processes of readjustment and revaluation into which we have been driven by the war and drawn by the requirements of progress, that I have seen fit to conclude this series of papers by making certain observations upon this revolutionary, but in its final effects soundly conservative, social development which is making for a decentralization of many of the current functions and responsibilities of statesmanship to the end that ultimately every process of our common life shall be administered by those who know most about it, rather than by politicians fitted neither on the basis of their selection nor by their fundamental training and outlook for such responsibilities.

There is, unless I am far afield in judgment, a definite new recognition of modern facts and a massing of tendencies making for a narrowing and intensifying of the field and operation of statesmanship at Washington and our several state capitols and a correlative awakening and widening of statesmanship in New York, Pittsburgh, Chicago, Kansas City, San Fran-

cisco, and the other significant centers of American life. There is an increasing skepticism of the soundness of a policy under which political statesmanship stands on the outer edge of business, industry, agriculture, education, and other social functions playing the rôle of policeman and guardian to the administration of these interests. And there is a turning, in a spirit of critical inquiry and hope, toward a policy under which business statesmanship will stand at the center of business, industrial statesmanship at the center of industry, educational statesmanship at the center of education as the administration itself rather than an outside and superimposed force ruling and regulating the administration.

It is not strange that this fresh consideration of a policy of decentralization should appear coincident with the present unprecedented concentration of economic and industrial functions in the hands of government. It took the excessive war-induced centralization of economic and industrial functions in the hands of government to dramatize the essential fallacy of trying to substitute the politician for the engineer and executive, using the terms engineer and executive rather broadly to suggest the

men functionally fit for the job in hand. The experiences of great centralization in governmental agencies during the war, both here and in Europe, have convinced a growing number that handing everything over to the state, as now organized, to be run by the state simply does not and will not work; that it throws the vital processes of a nation's life, particularly those of business and industry, with a dangerous certainty into the hands of an officialdom that stands too far removed from the actual processes to know them with that intimacy of touch which alone can insure sanity and efficiency in policy and action.

That too great political interference with the vital processes of a nation through the action of an ill-trained and amateur bureaucracy is fatal to an effective and harmonious common life is little questioned. And by one of those strange paradoxes of history both ultra-conservative and highly liberal forces are joined in blasting at the foundations of such a policy —from entirely different motives, it must be granted. On the one hand, certain selfish interests upon which the government has been obliged to impose conscience and a social sense, and a large number of business men who have

a personal sense of social responsibility and cannot be adjudged profiteers either of peace or war but who are honestly convinced that business and industry cannot reach its maximum success in development save by the old autocratic methods of control—all these are openly warring against the political rule of business and industry. On the other hand, there is a party of constructive liberalism, equally opposed to the political rule of business and industry, made up of forward-looking business men and certain creative thinkers in the fields of political and economic theory, as well as certain elements in labor leadership. The first group desires to relax the political grip upon business and industry so that they may go back to the old order of business. The second group desires a decreasing political interference with economic processes so that we may go forward to a new and better business order. Both groups are acting upon one of the most sound and fruitful ideas of modern times—that business must be governed from the inside, not from the outside. And that fact holds true of every department of American life, for every department of American life should be administered by those who touch and handle the stuff

of that department as part of their day's work —government by those who know.

That a large part of political interference with economic and industrial processes has been justified in the past by the fact that government has had to step in here and there in order to introduce a needed element of social control in given situations will be little denied. But the point is that we are now coming to see that society is not confined to a choice between a rampant unsocial individualism on the one hand and an inefficient amateur bureaucracy on the other. We are coming to see that business and industry can be organized upon bases that will give adequate protection, voice, and opportunity to all classes involved—the employer, the employee, and the consuming public—and increase both the efficiency and profits of the undertakings. And it is toward such policies of self-governing business and industry that the best minds of both capital and labor are turning in their reaction against an encroaching governmental ownership, control, and regulation which, run to its ultimate application, consists really in the devising of policies and laws that shall mean such motherly oversight that business and industry will be relieved of the

necessity of having either statesmanship or conscience. The state is right in its insistence that business and industry have a social responsibility; but social responsibility, to say nothing of that high efficiency without which a sense of social responsibility is only a pious and abortive emotion, will never be enforced by the political policeman; it must be evolved by the business and industrial statesman.

It is just such problems of finding and acknowledging the socially right and sound centers of authority and administration that have turned the liberal intelligence of our time toward a consideration of that decentralization of statesmanship which I purpose now to discuss in greater detail. It should be said in passing that the same set of facts and considerations that is bringing about a reaction against the too great centralization of economic and industrial functions in the hands of the state, as we knew it, is also convincing a larger and larger number of its former adherents that a socialistic state would likewise drift toward the rocks of bureaucratic unreality. In the light of the high specialization and complex interdependence of our modern industrialized society, we simply do not dare to put all of our

eggs in one basket, whether the basket is carried by a bureaucratic politician or an autocratic business executive. It certainly is too great a risk to make the efficiency, justice, and social responsibility of our complex and interrelated business and industrial world depend upon the policies of ever-changing cabinets and congresses, still less upon presidents and premiers. Benevolent and enlightened paternalism is a comfortable and convenient system when and while it works, but our waiting-list of supermen is not long enough to justify our trusting to such a system. The consistent and continuous safety and efficiency of our democracy demand a constant broadening of the base of policy, and the bringing of policy more and more fully into the hands of the men whose authority is intrinsic by virtue of their being the creative conductors of those real enterprises that constitute our common life, the leaving of fundamental policies less and less to fluctuating political groups brought together by antiquated election methods, by a counting of noses that too frequently fails to result in anything approaching an effective expression of the will of society.

I am not here making a personal plea. I am

reporting and trying to set in orderly relation certain elements of a plea for a more realistic politics, based upon government by those who know and do, as I have found scattered fragments of that plea upon the lips of business men, labor leaders, lawyers, and educators within the last few months. I am building the underlying arguments of this paper upon definite interviews, printed statements, and vagrant scraps of conversation with such men. That would be a superficial method were I trying to present a comprehensive discussion of some political or economic theory. But, in doing this, I am simply holding to the purpose which I set for these papers in the beginning—the interpretive reporting of the most significant drifts of opinion among the men and women upon whom the actual responsibilities of business, industry, education, the church, and certain of the professions rest. The purpose of these papers is not so much to discuss the most forward-looking theories of business, industry, education, and so on, as these are advanced by students and publicists, as to give a sort of moving picture of the minds of the men and women who are doing the work in these fields. In the measure that these papers suc-

ceed in reaching their purpose we shall be able to see to what extent the theories of the best students of these matters are influencing the men of action, and better still discover what new and creative ideas are being evolved out of actual experience to serve as the raw materials for new and better conceptions of the function and organization of these several fields of interest.

I am aware that in this paper I am, at one point and another, approaching a field of political theory which has been ably developed by such writers as Benoist, Duguit, Figgis, Barker, Laski and others who, either as part of an attempt at a complete philosophy of the state or in discussions of particular problems of industry and politics, have concerned themselves with the unreality of a representative system of government under which the only basis of representation is that of artificially drawn geographical units, and with the possibilities of governmental reforms that would determine representation upon the basis of interests and occupations as well. Such students have blazed and are blazing a path toward a new and more realistic politics. But I am not concerned primarily with the interpretation of any

theory of the state in the direction of which the subject matter of this paper may look. In fact, I am not approaching the problem from the angle of political science at all, but from the angle of business and industry, in an attempt to forecast, upon the basis of present and going facts, what developments are likely to occur in the relation of government to business and industry and in the internal reordering of the administration of business and industry. We may find that the political pluralist starting from the ground of theory and the business man starting from the ground of practical necessity, as he faces the present-day labor unrest and political bureaucracy, will meet in agreement.

I think I have suggested with sufficient clearness that in many quarters, both conservative and radical, a definite conviction is forming that we should move from a policy of government of industry by the state toward a policy of government of industry by industry. I have suggested also that the principle involved in this conviction has a much wider legitimate application than simply its application to industry. It is clear that among the adherents to such a conviction will be found some business men and captains of industry who support the

contention for individualistic, selfish, and reactionary reasons, men who chafe at any and every restraint the state may impose upon business. But it just happens that this movement toward a more realistic, more just, more democratic, and more efficient organization of both industry and politics serves their selfish purpose in the negative and purposely destructive phase of its criticism. But forward-looking business men, labor leaders, and the whole intellectual leadership of this movement toward self-governing business and industry and a decreasing political interference with industrial processes may accept the help of these reactionaries in the criticism and defeat of the forces making for the political rule of business and industry, and then courteously part company with them when the hour strikes to determine the new alternative policy, when they enter the positive constructive phase of the movement.

Disregarding, then, for the moment, the reasons that lead the ultra-reactionaries to oppose the entrance of the state into business and industrial activities, what are the basic considerations that are drawing so many men of action and thinkers of diverse interests and points of

view together in support of a policy of decentralizing statesmanship, of self-determination and self-government for business and industry? I do not refer to the conventional battle of arguments regarding the relative efficiency or inefficiency of governmental or private ownership. I am thinking of the deeper considerations that are less likely to be colored by personal and selfish interests, and more likely to spring from disinterested analysis. These considerations fall roughly into two classes: first, those considerations arising from a growing feeling that our political institutions have not been progressively adapted to changing conditions in a manner to make them effective instruments to express and serve modern industrialized society as they were to express and serve the relatively simple social and economic organization of our country at its beginning when any average citizen of intelligence and honorable purpose might really represent competently the interests of his congressional district or state; and, second, those considerations forced upon business and industrial leaders by the character and extent of the present labor unrest which is daily making it more evident that compromise and concession are about played

out and that some new approach to the problem of the government and control of industry must be made. Let us look at some of the considerations.

For one thing, many are saying that the real center of authority in the modern world has shifted from politics to business anyway, and that the rational thing to do is to recognize the fact and set to work at the organization of business and industry upon a basis that will make them socially responsible and give full and effective recognition to all classes involved—capital, labor, and the community; that if business and industry have become the dominant factors in modern society, constituting a sort of invisible government, the wisest thing to do is to make that invisible government visible and socially responsible, to organize these economic forces into a mainstay instead of a menace to the common rights and interests of society. As I have already suggested, this point of view, arising from different motives, is found among both conservatives and radicals. This matter was aptly stated in a recent issue of "The Nation" which said:

> The framers of our Federal Constitution could not foresee the development of modern industrialized so-

ciety. They could not foresee the shifting of the actual seat of government from executive chambers and legislative halls to banks, stock exchanges, schools, and newspaper offices. . . . The real rule of the modern world—the power which makes or breaks a nation, which directs the creative energies of a culture, which determines the development and destiny of a people—is vested in forms economic rather than political. These constitute the invisible government which lies behind the visible government of the old political forms. . . . The old political forms remain fundamentally unchanged.

Over against these new economic forms, exercising the real governmental functions of modern society, has grown in the industrial field a system of organized check and protest, the invisible opposition, as it were. This is the political significance of the organization of the workers everywhere during the rapid rise of industrialism; they recognized the necessity of an economic opposition, the inadequacy of the old political forms to furnish a proper check upon the new governmental functions; and the action was a healthy sign of men's political sagacity. For the past fifty years these lines have been deepening. If the old political forms could have been made flexible enough to encompass the new economic order, to ride the tidal wave of industrialism, all would have been well; the channels of political activities would have run smoothly, the workers would have been satisfied with adequate voice and representation in the new industrial functions of government, the community instead of a special class would have profited, and the great

economic war would not have descended upon our civilization. But those in control were too selfish or too blind to render the political machinery flexible, to make the invisible government the visible and responsible government . . . and thus they . . . brought about a fatal division between our political activities and the life processes of our society.

The line of thought here is clearly logical. If business and industry become in effect the real government of society, and if political forms are not adapted to reckon with this fact and are therefore ineffective instruments either for expression or protection alike on the part of capital and labor, it is inevitable that both capital and labor will ultimately resent political control and turn their energies either toward a reform of government along lines that will merge the actual economic rule with political forms or toward the development of some sort of business and industrial self-government. The latter seems more likely to occur than the former in the United States.

Another consideration that is weakening the faith of many in political control of business and industry is the fact that we do not pretend to meet the heavy demands of a great emergency, like the war, with our normal govern-

ment polity and its relation to business, industry, agriculture, education. We hurriedly construct an emergency machine, and the moment the emergency, the war, is over, everyone is impatient to shake off the temporary restraints. Now, everyone realizes that a great emergency like the war through which we have just passed will always involve certain emergency organization, certain alterations in the normal administration of the state, but not a complete alteration of the basis of life and government. And there is a growing conviction in many of our best conservative minds that there is something inherently unsound in a political organization, in its relation to the social and economic forces of the nation, that cannot meet emergencies without a fundamental reorganization of itself. Modern wars are more than fights between troops. Modern wars are struggles between the whole round of the creative powers of production and organization of rival nations and alliances. A nation's army is only the clenched fist of its factories and farms. We have just been through a costly demonstration of that fact. We have seen that the quiet processes of production can be as belligerent as the actions of a submarine; that a

Kansas wheat field is as much a war factor as a munitions plant; that the potato growers of Maine are as essential to our armies as the powder manufacturers of Delaware. Farm, factory, and firing line constitute the essential trilogy of war power. A breakdown of any one spells defeat. Fighting power is essentially a by-product of industrial power. Therefore, aside from the drilling of troops, the determination of strategy, and certain emergency organization that will always be necessary in war time, the governmental and industrial organization that will give the greatest social harmony and the highest production in peace time is the best possible organization for war. The way we were obliged to scurry about in search of effective policies and organization to meet the demands of war has given rise to a whole new critique of our governmental organization in its relation to business and industry and the other vital processes of our national life.

Then, too, there is an increasing recognition of the fact that there is an inevitable tendency toward unreality in a system that elects its representatives solely upon the basis of arbitrarily and artificially drawn geographical districts that have a less and less distinct unity of in-

terest as society becomes more specialized and industrialized. This does not spring from theory, although there is a growing literature on this matter. It springs from a facing of certain clear facts of modern life which H. G. Wells has stated with as much clearness as any other writer. In an essay of his which appears in his "Social Forces in England and America," he says:

> The ties that bind men to place are being severed; we are in the beginning of a new phase in human experience. . . . For endless ages man led the hunting life, migrating after his food, camping, homeless. . . . Then began agriculture, and for the sake of securer food man tethered himself to a place. The history of man's progress from savagery to civilization is essentially a story of settling down. It began in caves and shelters; it culminates in a wide spectacle of farms and peasant villages, and little towns among the farms. . . . The enormous majority of human beings stayed at home at last; from the cradle to the grave they lived, married, died in the same district, usually in the same village; and to that condition, law, custom, habits, morals have adapted themselves. . . . Now . . . this astonishing development of cheap, abundant, swift locomotion which we have seen in the last seventy years . . . dissolves almost all the reason and necessity why men should go on living perma-

nently in any one place or rigidly disciplined to one set of conditions . . . this revolution in human locomotion that brings nearly all the globe within a few days of any man is the most striking aspect of the unfettering again of the old restless, wandering, adventurous tendencies in man's composition.

We are off the chain of locality for good and all. . . . People have hardly begun to speculate about the consequences of the return of humanity from a closely tethered to a migratory existence. . . . Obviously these great forces of transport are already straining against the limits of existing political areas.

Mr. Wells is here dealing only with the political implications of rapid transportation, but the implications he outlines later in this essay rest not only upon the fact that in modern times a man can move himself about from place to place and from job to job, but also upon the fact that in modern times the business and industrial interests of almost every man, whether he is capitalist or workman, overrun political boundaries within states and cross the frontiers of the state itself. In other words the area of the average man's interests and the area of his congressional district or state, from which his political representative is elected, as in the United States, do not at all correspond. Keep-

ing this fact, as well as the fact of rapid transportation, in mind, it is worth while to quote further from Mr. Wells' statement:

> In every locality . . . countless people are found delocalized, uninterested in the affairs of that particular locality. . . . In America political life, especially State life as distinguished from national political life, is degraded because of the natural and inevitable apathy of a large portion of the population whose interests go beyond the State.
>
> Politicians and statesmen, being the last people in the world to notice what is going on in it, are making no attempt whatever to readapt this hugely growing floating population of delocalized people to the public service. . . . Local administration falls almost entirely—and the decision of Imperial (or national) affairs tends more and more to fall—into the hands of that dwindling and unadventurous moiety which sits tight in one place from the cradle to the grave. No one has yet invented any method for the political expression and collective direction of a migratory population. . . . Here, then, is a curious prospect, the prospect of . . . a floating population going about the world, uprooted, delocalized, and even, it may be, denationalized, with wide interests and wide views, developing, no doubt, customs and habits of its own, a morality of its own, a philosophy of its own, and yet, from the point of view of current politics and legislation, unorganized and ineffective. . . . The history of the immediate future will, I am convinced, be very

largely the history of the conflict of the needs of this new population with the institutions, the boundaries, the laws, prejudices, and deep-rooted traditions established during the home-keeping, localized era of mankind's career.

It is clear, at any rate, that the real struggles that cut to the heart of our modern society are more and more struggles between interests rather than struggles between parties. The cleavage between interests, actual or believed, has an air of reality and permanence, while the cleavage between political parties is a shifting line determined from election to election upon a basis of opportunism. The recognition that present political forms are ill adapted to deal with such social and economic facts as have just been pointed out is contributing greatly toward the reaction against the political rule of business and industrial policy and administration.

But even though it were feasible to get a genuine representation of vital interests by a system under which the basis of representation is the geographical area, the fact remains that our political institutions are not designed for quick and effective response to the will of their constituencies. In this respect the British govern-

ment is much more fully responsive to and controlled by the current public mind than our own government. The members of our legislative bodies are elected part at one time and part at another. And for that reason we can never say that a particular congress is the creation of the public mind at that given time. Our President's responsibility to our popular house in no wise corresponds to the responsibility of the English Premier. Our President creates a cabinet that is not responsible to the popular house nor in any specific and controllable sense to the public will. The line of cause and effect running from the individual citizen's vote to the ultimate policy of government is frequently obscure and difficult to trace. And all this contributes to the feeling of unreality that an increasing number feel in connection with much of current political processes. It is clear that this, too, adds to the reaction against too great political control of business and industry. If we are to trust the vital life processes of our national life in the hands of government, we want it to represent a highly realistic politics.

These are some of the fundamental considerations that enter into the opinion that governmental ownership, regulation, and control of

business and industry by the present state, on the one hand, and the creation of a socialistic state on the other both lead to the same fundamentally bad end—the management of the larger aspects at least of our productive and distributive processes by a bureaucratic class rather than by the men who know and do, the men who handle the stuff of business and industry as their regular job. All these considerations are based upon the inadequacy of current politics to meet the responsibilities of a highly industrialized society.

There is another set of considerations, as I have already suggested, growing out of the clear necessities forced upon business and industry by the present aspirations and demands of labor. These I have taken up so fully in the two papers preceding this, that I need do little more at this point than to refer to them. This set of considerations has to do with what is becoming a very definite movement toward an organization of business and industry upon the basis of self-government that shall be a government truly representative of the employer, the workman, and the community. And quite naturally business and industry that is engaged in the fundamental task of reordering itself

upon a basis truly representative of all classes and interests concerned will not want to be hampered in this constructive task by politicians who lack that sureness of touch and judgment that comes alone from practical contact with business and industry. Let us see how these considerations have arisen.

Prophecy is a game as elusive as it is tempting in such times of grand-scale readjustment and revolution as we are now passing through, such as we shall be passing through for a long stretch of months and years. Much of current forecasting will go to the scrap heap of snap judgments. There are too many unknown factors, too many new factors being interjected day by day, to make prophecy a wholly scientific calculation. But some things have reached the stage of essential certainty; among them this: labor will demand, and successfully demand, an increasing share in both the profits and management of business and industry. What changes in the fundamental organization of business and industry will that demand make necessary? Will the increased participation of labor in the control of business and industry make for greater or less efficiency? Will it raise or reduce the total profits? Will the

wise employer oppose the demand, or will he join with his employees in working out a new organization of the productive and distributive machinery of the nation along lines that will mean an increase in both the equity and efficiency of business? Does this mean a class war, or is there a feasible coöperation of the classes? These are the questions, cutting to the heart of modern society as they do, that employers the world over are asking themselves. The clearer the answers lie in the minds of both employers and employees, the sooner will the job of readjustment find an effective basis of procedure. And every day an increasing number of employers are reaching an understanding of the inevitable answer to these questions.

Among forward-looking business men, the conception is obtaining that the problem of labor and capital is not a question of a test of strength between two opposing forces; that both are "workers" engaged in a fundamental public service; that the problem of industrial relations will never be solved by benevolence on the part of employers or by usurpation on the part of employees; that the problem will be solved when the best and most scientific way of

doing business and conducting industry is found; and that the best way of doing business will be found to be the most just and harmonious way of doing business. It is becoming clear to the leaders of business and industry that side by side with this war, waged in defense of political democracy, there has been going on a slightly less dramatic but equally fundamental marshalling of forces for the extension and protection of economic democracy, without which political democracy is a doubtful guaranty of justice or permanent progress. Men are seeing that there is no permanently valid reason why the economic problem, which so completely underlies our other problems, must pass into the hands of any one class for solution, whether that class be employers or employees, provided genuine economic democracy is achieved.

And the idea of industrial and business democracy is no longer the scare-phrase it once was to the responsible business and industrial leaders. Only the other day one of the big business men of this country, the head of the largest business of its kind in the world, said to me, "Speaking purely from the business point of view, I am convinced that a real demo-

cratization of business that shall organize labor and capital into a real partnership in both profits and management will prove as great an advance in business efficiency and profit as in social and economic justice. In other words, I am convinced that genuine democracy in business not only is right, but that it pays. Figured in terms of profit and loss, I believe that every argument against autocracy and class control in government is now coming to apply with equal force to autocracy and class control in business and industry." I interrupted him to tell him of a less liberal, and clearly less intelligent, business man who a few days before had scoffed at the idea of democratizing business and said that modern business could not be run by New England town-meeting methods. He went on to say, "Of course there never was a time when one man or a few men with expert equipment and specialized experience could not do certain things better than a mass meeting could do them; but looked at from the long view, democracy with all of its mistakes arrives at right ends more times than does autocracy. Autocracy can, by its possible quickness of action, undoubtedly achieve greater results in a particular instance and in a shorter

time than democracy can. But the unbusinesslike thing about autocracy is that too frequently it will achieve immense immediate *improvement* at the price of stifling *progress* thereafter. The businesslike thing about democracy is that its progress, although in some instances less rapid, is more sustained."

To the degree that American business men act upon such principles will the dangers of Bolshevism in this country diminish. Taking all these contentions into consideration it is clear that there are more factors involved in the reaction against an increasing governmental ownership, regulation, and control of business and industry than the mere selfish desire of a visionless group of business men who want to go their socially irresponsible way. And it is clear that the reaction against too great centralization of business and industrial functions in the hands of the government is simply one expression of a fundamental protest against the unreality of present day politics, the negatively critical side of a plea for greater realism in politics. Granted the truth of this conclusion, what are the probable lines of development in politics on the one hand and industry

on the other that will come from this protest and plea?

I do not look for any fundamental constitutional changes in this country looking toward a reform of the basis of representation. I think it is very unlikely that we shall get anything in the nature of occupational representation supplementary to our representation by geographical areas. We have a marked reluctance to experiment with our political structure. What seems more likely is a large-scale experiment in the organization of business and industry upon a more representative and democratic basis. We are already seeing indications of this in the proposal of The International Harvester Company to institute shop committees throughout that industry. As our unrest becomes more acute, we shall doubtless see wider and wider application of the Whitley scheme of joint industrial councils in our industries. That, of course, is not the last word in industrial democracy, but it is a start. And the further development of all such ventures looking toward a more democratic organization of the relations of industry will not only serve as a preventive against Bolshevistic tendencies,

but will make material headway toward an answer of the plea for a more realistic politics.

Such developments will contribute toward the vitalizing of our political processes in this way: as the various fields of interest in our national life, business and industry particularly, are shifted to a broader base of control and organized along the lines of truly representative government that takes adequate account of the legitimate interests of employer, employee, and the consuming public, the necessity, both apparent and real, for political interference with business and industrial processes will grow less and less. In the end such development of the forms and functions of self-government in business, industry, and the other functional fields will mean that we shall have a series of coöperating sovereignties in these fields, with the political government acting as their correlator. We shall arrive at a situation such as I suggested in the opening paragraphs of this paper. We shall see business statesmanship standing at the center of and administering business, industrial statesmanship at the center of industry, educational statesmanship at the center of education, with political statesmanship acting as the impresario of these several statesman-

ships in their relations. All this will mean an approach toward the ideal of government by those who know and do, by those who know most about the department of national life that they are administering. It will tend in many ways, if not in the direct way that would best please the theorists, to make the invisible government visible and socially responsible. The political and industrial developments of the next ten years in this country probably will not move along as clearly drawn lines as I have just suggested, but I think I have suggested the general trend.

It would materially help the situation if someone would make a survey of all attempts that have been made in this country toward a more democratic organization of business and industry. Such a survey would help to lift this entire discussion out of the realm of pure theory and, to some degree at least, afford a basis of proved experiments upon which our business and industrial leaders might found conclusions regarding the wisest procedure. During the past three years it has been my fortune to work in close relation with Mr. Edward A. Filene, President of William Filene's Sons Company, the largest store of its particular kind in the

world. This effective and profitable business has been developed at the same time that an attempt has been made to organize the store upon a basis of the employees' sharing alike in profits and management. To me the most significant thing about this store is that its managers have not looked upon the more democratic organization of business as an idealistic but costly concession to be granted after a business has succeeded and piled up a large surplus; rather have they regarded democracy of organization as one of the corner-stones of permanently successful business. In that fact lies the justification for the mention of this store in this connection. We shall never lack for examples of benevolence and paternalism in business; but the way out does not lie in that direction. Some time ago I asked Mr. Edward A. Filene to outline for me those features in the organization of the Filene store that he considered representative of principles that will be helpful in the inevitable readjustments of business and industrial organization in this after-the-war period, and to tell me how they have worked. I want now to summarize the results of that interview.

In the early days of that business, the man-

agers found that they were spending much time and energy in the adjustment of differences between employees and executives which would produce larger returns to the business if spent on the more creative work of clarifying and making more effective the fundamental policy and administration of the business. The managers felt that every hour that they were obliged to give to the adjustment of differences or to the administration of discipline represented a direct loss to the business, if those matters could be adequately attended to in any other way. They reckoned that the energy of the management could be more profitably employed in the creative rather than the negative features of administration, so they determined to hand over, so far as practically possible, the matters of discipline and the adjustment of differences to the employees themselves. A Board of Arbitration was created in 1901, if I rightly remember the date. This Board is composed entirely of employees. It consists of twelve members elected, one from each section of the store, and a chairman appointed from the council of the Filene Coöperative Association, which I shall discuss later, by the president of that body. This Arbitration Board has jur-

isdiction over all cases of difference between employees and the management; cases relating to the justice of rules affecting employees, such cases as dismissals, changes in position or wage, transfers, location in the store, sales shortages, lost packages, breakage, and the like. In all cases except dismissal or increase of pay, where a two-thirds vote of the entire board is necessary, the majority vote of the entire board decides the case. The action of the board is final in all cases arising within its jurisdiction, unless it sees fit to reconsider a case upon request. To date the board has passed upon about one thousand cases, I think, and about one-half of these have been decided in favor of the employees and one-half in favor of the firm.

At the time the board was founded, there was marked fear in many quarters that the discipline of the store would be undermined. Many business men said that it was impossible to submit every question to arbitration by a board of employees and get safe and conservative judgments. But experience has proved this fear to have been unfounded. The result has been highly satisfactory as regards discipline, and the time of the management has been freed for the larger directive work of the store. A dis-

tinguished jurist, who made an analysis of the records of this arbitration board, has said that the type of justice meted out by this board compares favorably with the justice meted out in any of our courts. The board is so organized that its twelve members are counsellors to the respective store sections from which they have been elected. These counsellors advise employees in their sections on questions arising in the conduct of their work, distribute information regarding the Arbitration Board and its processes, and instruct employees in the details of presenting their cases before the board.

The principle of the right of the employees to participation in the conduct of the business is further recognized in the arrangement under which today four of the eleven members of the directorate are representatives of the employees who exercise the right of direct nomination. And the store is experimenting its way toward some workable method of profit-sharing.

Throughout the store organization an attempt has been made to work out and apply what I may call the "confidential" principle. Let me illustrate what I mean. After the establishment of an employees' hospital or clinic in connection with the store, the managers

found that many employees were reluctant to take advantage of it because of the fear that the bringing of their physical defects or disorders to the attention of the management might result in discrimination or dismissal. With that highly practical and scientific procedure which has marked the development of this store, the managers gave to the employees the power to dismiss any nurse or doctor who should violate their confidence. This arrangement has produced marked results. An average of about two hundred employees take advantage of the clinic every day, either for treatment or advice. This has materially reduced the charge on the business involved in absences due to sickness.

All of these factors—the control of the Arbitration Board by the employees, the sharing of profits by employees, the participation in the management by employees, and the payment of relatively high wages—have proved a marked business advantage instead of a drain upon the profits of the business. They have made for the spirit of team work and have meant the development of a higher and higher type of employee.

All of these features find expression in and

through the Filene Coöperative Association, an organization to which every regular employee of the store belongs, and enjoys a voting privilege in, by virtue of employment in the store. In this organization no dues are imposed, but each feature of its work is planned to be self-supporting. Where such is not the case, it simply means that they have not yet worked out completely the technique of this policy which they steadfastly hold as their goal. Participation in this work is optional. It is the central organ of government in this store community of some three thousand business citizens. It conducts the social and so-called "welfare" work of the store, without the dictation but with the coöperation of the management. Aside from its representation on the directorate of the store, it has, in certain matters, a direct voice in the management. For example, if two-thirds of the members of the Filene Coöperative Association vote in mass meeting to initiate, change, or amend any rule affecting the discipline or working conditions of the store, the vote becomes immediately operative. Or, if five-sixths of the members of the governing body of the Filene Coöperative Association vote in favor of any such rule, it goes into effect

at the end of a week, unless during the week it is vetoed by the general manager, president, or board of managers of the corporation, or a majority vote of the Filene Coöperative Association membership. But even when vetoed by the management, a mass meeting of the employees may be held and a two-thirds vote of the entire association at such meeting passes the rule over the veto.

I need not here go into the numerous matters of insurance, education, recreation, and other features which the Filene Coöperative Association controls. Such features are to be found in many businesses and industries irrespective of the degree of democracy that enters into their fundamental organization. The distinctive feature of such matters in the Filene store is that they are under the control and direction of the employees, not the employers.

I may have gone astray on a minor detail or two in this analysis of the Filene organization, but I think I have given an essentially accurate description of its constitution and functioning. I have followed the workings of this business with a growing enthusiasm for its underlying idea, but I have always known that the suggestion of anything like a general application of

these principles to American business and industry would be met in certain quarters by the contention that these principles have succeeded in the case of this particular business primarily because of the spirit, attitude and technique of the management, that they would not succeed in any widespread application to our entire business and industrial life. I put this question to Mr. Filene one day, and he replied, "These things work because they are fundamentally sound, and because they are fundamentally sound they will work in any business where they are courageously put to the test. These experiments, I know, may seem dangerous to the employer who has not tried them. At first we had fears that the granting of such powers to employees might not always work toward the common good of all concerned, but our employees have never misused their powers, never, to my knowledge, have they acted upon the basis of a purely class interest."

It seems to me that all this should be highly suggestive to the leaders of American business and industry in the face of the fundamental labor unrest that is moving across the world. These experiments would seem to suggest that when the powers granted to employees are real

powers, where the responsibility enjoyed by labor is real responsibility in the determination of wages, hours, conditions of work, and the settlement of disputes, the net result is not radical, but sanely conservative. This does not mean that such a system is a capitalistic scheme to dull the edge of labor's demands by granting an authority which the employer is fairly safe in assuming will be little used. It means simply this: so long as employers organize business and industry upon the theory that labor is a purchasable commodity we may expect a discontent upon the part of employees expressing itself largely in negative criticism and protest, but where the employees are made a working part of the management with a real voice, then what would otherwise be troublesome protest growing out of discontent becomes constructive effort to determine upon and create satisfactory conditions. Participation in management, if it be real, does not diminish the rightful demands of labor, but it does convert a large part of labor's legitimate protest into an instrument of constructive endeavor.

I have attached this analysis of a particular business to the arguments of the main body of

this paper as an exhibit of a laboratory experiment in the principle of self-governing business and industry suggested throughout this discussion.

APPENDIX

THE WHITLEY REPORT

To the Right Honourable D. Lloyd George, M.P.,
Prime Minister.

Sir,

We have the honour to submit the following Interim Report on Joint Standing Industrial Councils.

2. The terms of reference to the Sub-Committee are:—

"(1) To make and consider suggestions for securing a permanent improvement in the relations between employers and workmen.

"(2) To recommend means for securing that industrial conditions affecting the relations between employers and workmen shall be systematically reviewed by those concerned, with a view to improving conditions in the future."

3. After a general consideration of our duties in relation to the matters referred to us, we decided first to address ourselves to the problem of establishing permanently improved relations between employers and employed in the main industries of the country, in which there exist representative organisations on both sides. The present report accordingly deals more especially with these trades. We are proceeding with the consideration of the problems connected with the industries which are less well organised.

4. We appreciate that under the pressure of the war both employers and workpeople and their organisations are very much pre-occupied, but, notwithstanding, we believe it to be of the highest importance that our proposals should be put before those concerned without delay, so that employers and employed may meet in the near future and discuss the problems before them.

5. The circumstances of the present time are admitted on all sides to offer a great opportunity for securing a permanent improvement in the relations between employers and employed, while failure to utilise the opportunity may involve the nation in grave industrial difficulties at the end of the war.

It is generally allowed that the war almost enforced some reconstruction of industry, and in considering the subjects referred to us we have kept in view the need for securing in the development of reconstruction the largest possible measure of co-operation between employers and employed.

In the interests of the community it is vital that after the war the co-operation of all classes, established during the war, should continue, and more especially with regard to the relations between employers and employed. For securing improvement in the latter, it is essential that any proposals put forward should offer to workpeople the means of attaining improved conditions of employment and a higher standard of comfort generally, and involve the enlistment of their active and continuous co-operation in the promotion of industry.

To this end, the establishment for each industry of an organisation, representative of employers and workpeople, to have as its object the regular consideration of matters affecting the progress and well-being of the trade from the point of view of all those engaged in it, so far as this is consistent with the general interest of the community, appears to us necessary.

6. Many complicated problems have arisen during the war which have a bearing both on employers and workpeople, and may affect the relations between them. It is clear that industrial conditions will need careful handling if grave difficulties and strained relations are to be avoided after the war has ended. The precise nature of the problems to be faced naturally varies from industry to industry, and even from branch to branch within the same industry. Their treatment consequently will need an intimate knowledge of the facts and circumstances of each trade, and such knowledge is to be found only among those directly connected with the trade.

7. With a view to providing means for carrying out the policy outlined above, we recommend that His Majesty's Government should propose without delay to the various associations of employers and employed the formation of Joint Standing Industrial Councils in the several industries, where they do not already exist, composed of representatives of employers and employed, regard being paid to the various sections of the industry and the various classes of labour engaged.

8. The appointment of a Chairman or Chairmen

should, we think, be left to the Council who may decide that these should be—

(1) A Chairman for each side of the Council;

(2) A Chairman and Vice-Chairman selected from the members of the Council (one from each side of the Council);

(3) A Chairman chosen by the Council from independent persons outside the industry; or

(4) A Chairman nominated by such person or authority as the Council may determine or, failing agreement, by the Government.

9. The Council should meet at regular and frequent intervals.

10. The objects to which the consideration of the Councils should be directed should be appropriate matters affecting the several industries and particularly the establishment of a closer co-operation between employers and employed. Questions connected with demobilisation will call for early attention.

11. One of the chief factors in the problem, as it at first presents itself, consists of the guarantees given by the Government, with Parliamentary sanction, and the various undertakings entered into by employers, to restore the Trade Union rules and customs suspended during the war. While this does not mean that all the lessons learnt during the war should be ignored, it does mean that the definite co-operation and acquiescence by both employers and employed must be a condition of any setting aside of these guarantees or undertakings, and that, if new arrangements are to be reached, in themselves more satis-

factory to all parties but not in strict accordance with the guarantees, they must be the joint work of employers and employed.

12. The matters to be considered by the Councils must inevitably differ widely from industry to industry, as different circumstances and conditions call for different treatment, but we are of opinion that the suggestions set forth below ought to be taken into account, subject to such modification in each case as may serve to adapt them to the needs of the various industries.

13. In the well-organised industries, one of the first questions to be considered should be the establishment of local and works organisations to supplement and make more effective the work of the central bodies. It is not enough to secure co-operation at the centre between the national organisations; it is equally necessary to enlist the activity and support of employers and employed in the districts and in individual establishments. The National Industrial Council should not be regarded as complete in itself; what is needed is a triple organisation—in the workshops, the districts, and nationally. Moreover, it is essential that the organisation at each of these three stages should proceed on a common principle, and that the greatest measure of common action between them should be secured.

14. With this end in view, we are of opinion that the following proposals should be laid before the National Industrial Councils:—

(*a*) That District Councils, representative of the

Trade Unions and of the Employers' Association in the industry, should be created, or developed out of the existing machinery for negotiation in the various trades.

(*b*) That Works Committees, representative of the management and of the workers employed, should be instituted in particular works to act in close co-operation with the district and national machinery.

As it is of the highest importance that the scheme making provision for these Committees should be such as to secure the support of the Trade Unions and Employers' Associations concerned, its design should be a matter for agreement between these organisations.

Just as regular meetings and continuity of co-operation are essential in the case of the National Industrial Councils, so they seem to be necessary in the case of the district and works organisations. The object is to secure co-operation by granting to workpeople a greater share in the consideration of matters affecting their industry, and this can only be achieved by keeping employers and workpeople in constant touch.

15. The respective functions of Works Committees, District Councils, and National Councils will no doubt require to be determined separately in accordance with the varying conditions of different industries. Care will need to be taken in each case to delimit accurately their respective functions, in order to avoid overlapping and resulting friction. For instance, where conditions of employment are deter-

mined by national agreements, the District Councils or Works Committees should not be allowed to contract out of conditions so laid down, nor, where conditions are determined by local agreements, should such power be allowed to Works Committees.

16. Among the questions with which it is suggested that the National Councils should deal or allocate to District Councils or Works Committees the following may be selected for special mention:—

(i) The better utilisation of the practical knowledge and experience of the workpeople.

(ii) Means for securing to the workpeople a greater share in and responsibility for the determination and observance of the conditions under which their work is carried on.

(iii) The settlement of the general principles governing the conditions of employment, including the methods of fixing, paying, and readjusting wages, having regard to the need for securing to the workpeople a share in the increased prosperity of the industry.

(iv) The establishment of regular methods of negotiation for issues arising between employers and workpeople, with a view both to the prevention of differences, and to their better adjustment when they appear.

(v) Means of ensuring to the workpeople the greatest possible security of earnings and employment, without undue restriction upon change of occupation or employer.

(vi) Methods of fixing and adjusting earnings,

piecework prices, &c., and of dealing with the many difficulties which arise with regard to the method and amount of payment apart from the fixing of general standard rates, which are already covered by paragraph (iii).

(vii) Technical education and training.

(viii) Industrial research and the full utilisation of its results.

(ix) The provision of facilities for the full consideration and utilisation of inventions and improvement designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements.

(x) Improvements of processes, machinery and organisation and appropriate questions relating to management and the examination of industrial experiments, with special reference to co-operation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them.

(xi) Proposed legislation affecting the industry.

17. The methods by which the functions of the proposed Councils should be correlated to those of joint bodies in the different districts, and in the various works within the districts, must necessarily vary according to the trade. It may, therefore, be the best policy to leave it to the trades themselves to formulate schemes suitable to their special circumstances, it being understood that it is essential to secure in each industry the fullest measure of co-operation between employers and employed, both

generally, through the National Councils, and specifically, through district Committees and workshop Committees.

18. It would seem advisable that the Government should put the proposals relating to National Industrial Councils before the employers' and workpeople's associations and request them to adopt such measures as are needful for their establishment where they do not already exist. Suitable steps should also be taken, at the proper time, to put the matter before the general public.

19. In forwarding the proposals to the parties concerned, we think the Government should offer to be represented in an advisory capacity at the preliminary meetings of a Council, if the parties so desire. We are also of opinion that the Government should undertake to supply to the various Councils such information on industrial subjects as may be available and likely to prove of value.

20. It has been suggested that means must be devised to safeguard the interests of the community against possible action of an anti-social character on the part of the Councils. We have, however, here assumed that the Councils, in their work of promoting the interests of their own industries, will have regard for the National interest. If they fulfil their functions they will be the best builders of national prosperity. The State never parts with its inherent over-riding power, but such power may be least needed when least obtruded.

21. It appears to us that it may be desirable at some later stage for the State to give the sanction of law to agreements made by the Councils, but the initiative in this direction should come from the Councils themselves.

22. The plans sketched in the foregoing paragraphs are applicable in the form in which they are given only to industries in which there are responsible associations of employers and workpeople which can claim to be fairly representative. The case of the less well-organised trades or sections of a trade necessarily needs further consideration. We hope to be in a position shortly to put forward recommendations that will prepare the way for the active utilisation in these trades of the same practical co-operation as is foreshadowed in the proposals made above for the more highly-organised trades.

23. It may be desirable to state here our considered opinion that an essential condition of securing a permanent improvement in the relations between employers and employed is that there should be adequate organisation on the part of both employers and workpeople. The proposals outlined for joint co-operation throughout the several industries depend for their ultimate success upon there being such organisation on both sides; and such organisation is necessary also to provide means whereby the arrangements and agreements made for the industry may be effectively carried out.

24. We have thought it well to refrain from making

suggestions or offering opinions with regard to such matters as profit-sharing, co-partnership, or particular systems of wages, &c. It would be impracticable for us to make any useful general recommendations on such matters, having regard to the varying conditions in different trades. We are convinced, moreover, that a permanent improvement in the relations between employers and employed must be founded upon something other than a cash basis. What is wanted is that the workpeople should have a greater opportunity of participating in the discussion about and adjustment of those parts of industry by which they are most affected.

25. The schemes recommended in this Report are intended not merely for the treatment of industrial problems when they have become acute, but also, and more especially, to prevent their becoming acute. We believe that regular meetings to discuss industrial questions, apart from and prior to any differences with regard to them that may have begun to cause friction, will materially reduce the number of occasions on which, in the view of either employers or employed, it is necessary to contemplate recourse to a stoppage of work.

26. We venture to hope that representative men in each industry, with pride in their calling and care for its place as a contributor to the national well-being, will come together in the manner here suggested, and apply themselves to promoting industrial harmony and efficiency and removing the obstacles that have hitherto stood in the way.

We have the honour to be, Sir,
Your obedient Servants,

J. H. Whitley, *Chairman*
F. S. Button
Geo. J. Carter
S. J. Chapman
G. H. Claughton
J. R. Clynes
J. A. Hobson
A. Susan Lawrence
J. J. Mallon
Thos. R. Ratcliffe-Ellis
Robt. Smillie
Allan M. Smith
Mona Wilson
H. J. Wilson
Arthur Greenwood
Secretaries

8th March, 1917.

LETTER ADDRESSED BY THE MINISTER OF LABOUR TO THE LEADING EMPLOYERS' ASSOCIATIONS AND TRADE UNIONS.

MINISTRY OF LABOUR,
MONTAGU HOUSE,
WHITEHALL, S.W. 1.
20th October, 1917.

SIR,

IN July last a circular letter was addressed by the Ministry of Labour to all the principal Employers' Associations and Trade Unions asking for their views on the proposals made in the Report of the Whitley Committee on Joint Standing Industrial Councils, a further copy of which is enclosed. As a result of the replies which have been received from a large number of Employers' organisations and Trade Unions generally favouring the adoption of those proposals, the War Cabinet have decided to adopt the Report as part of the policy which they hope to see carried into effect in the field of industrial reconstruction.

In order that the precise effect of this decision may not be misunderstood, I desire to draw attention to one or two points which have been raised in the communications made to the Ministry on the subject, and on which some misapprehension appears to exist in some quarters.

In the first place, fears have been expressed that the proposal to set up Industrial Councils indicates an intention to introduce an element of State interference which has hitherto not existed in industry. This is

not the case. The formation and constitution of the Councils must be principally the work of the industries themselves. Although, for reasons which will be explained later, the Government are very anxious that such Councils should be established in all the well-organised industries with as little delay as possible, they fully realise that the success of the scheme must depend upon a general agreement among the various organisations within a given industry and a clearly expressed demand for the creation of a Council. Moreover, when formed, the Councils would be independent bodies electing their own officers and free to determine their own functions and procedure with reference to the peculiar needs of each trade. In fact, they would be autonomous bodies, and they would, in effect, make possible a larger degree of self-government in industry than exists to-day.

Secondly, the Report has been interpreted as meaning that the general constitution which it suggests should be applied without modification to each industry. This is entirely contrary to the view of the Government on the matter. To anyone with a knowledge of the diverse kinds of machinery already in operation, and the varying geographical and industrial conditions which affect different industries it will be obvious that no rigid scheme can be applied to all of them. Each industry must therefore adapt the proposals made in the Report as may seem most suitable to its own needs. In some industries, for instance, it may be considered by both employers and employed that a system of Works Committees is un-

necessary owing to the perfection of the arrangements already in operation for dealing with the difficulties arising in particular works between the management and the trade union officials. In others Works Committees have done very valuable work where they have been introduced and their extension on agreed lines deserves every encouragement. Again, in industries which are largely based on district organisations it will probably be found desirable to assign more important functions to the District Councils than would be the case in trades which are more completely centralised in national bodies. All these questions will have to be threshed out by the industries themselves and settled in harmony with their particular needs.

Thirdly, it should be made clear that representation on the Industrial Councils is intended to be on the basis of existing organisations among employers and workmen concerned in each industry, although it will, of course, be open to the Councils, when formed, to grant representation to any new bodies which may come into existence and which may be entitled to representation. The authority, and consequently the usefulness of the Councils will depend entirely on the extent to which they represent the different interests and enjoy the whole-hearted support of the existing organisations, and it is therefore desirable that representation should be determined on as broad a basis as possible.

Lastly, it has been suggested that the scheme is intended to promote compulsory arbitration. This is

certainly not the case. Whatever agreements may be made for dealing with disputes must be left to the industry itself to frame, and their efficacy must depend upon the voluntary co-operation of the organisations concerned in carrying them out.

I should now like to explain some of the reasons which have made the Government anxious to see Industrial Councils established as soon as possible in the organised trades. The experience of the war has shown the need for frequent consultation between the Government and the chosen representatives of both employers and workmen on vital questions concerning those industries which have been most affected by war conditions. In some instances different Government Departments have approached different organisations in the same industry, and in many cases the absence of joint representative bodies which can speak for their industries as a whole and voice the joint opinion of employers and workmen, has been found to render negotiations much more difficult than they would otherwise have been. The case of the cotton trade, where the industry is being regulated during a very difficult time by a Joint Board of Control, indicates how greatly the task of the State can be alleviated by a self-governing body capable of taking charge of the interests of the whole industry. The problems of the period of transition and reconstruction will not be less difficult than those which the war has created, and the Government accordingly feel that the task of rebuilding the social and economic fabric on a broader and surer foundation will be rendered much easier if

in the organised trades there exist representative bodies to which the various questions of difficulty can be referred for consideration and advice as they arise. There are a number of such questions on which the Government will need the united and considered opinion of each large industry, such as the demobilisation of the Forces, the re-settlement of munition workers in civil industries, apprenticeship (especially where interrupted by war service), the training and employment of disabled soldiers, and the control of raw materials; and the more it is able to avail itself of such an opinion the more satisfactory and stable the solution of these questions is likely to be.

Furthermore, it will be necessary in the national interest to ensure a settlement of the more permanent questions which have caused differences between employers and employed in the past, on such a basis as to prevent the occurrence of disputes and of serious stoppages in the difficult period during which the problems just referred to will have to be solved. It is felt that this object can only be secured by the existence of permanent bodies on the lines suggested by the Whitley Report, which will be capable not merely of dealing with disputes when they arise, but of settling the big questions at issue so far as possible on such a basis as to prevent serious conflicts arising at all.

The above statement of the functions of the Councils is not intended to be exhaustive, but only to indicate some of the more immediate questions which they will be called upon to deal with when set up.

Their general objects are described in the words of the Report as being "to offer to workpeople the means of attaining improved conditions of employment and a higher standard of comfort generally, and involve the enlistment of their active and continuous co-operation in the promotion of industry." Some further specific questions, which the Councils might consider, were indicated by the Committee in paragraph 16 of the Report, and it will be for the Councils themselves to determine what matters they shall deal with. Further, such Councils would obviously be the suitable bodies to make representations to the Government as to legislation, which they think would be of advantage to their industry.

In order, therefore, that the Councils may be able to fulfil the duties which they will be asked to undertake, and that they may have the requisite status for doing so, the Government desire it to be understood that the Councils will be recognised as the official standing Consultative Committees to the Government on all future questions affecting the industries which they represent, and that they will be the normal channel through which the opinion and experience of an industry will be sought on all questions with which the industry is concerned. It will be seen, therefore, that it is intended that Industrial Councils should play a definite and permanent part in the economic life of the country, and the Government feels that it can rely on both employers and workmen to co-operate in order to make that part a worthy one.

I hope, therefore, that you will take this letter as

a formal request to your organisation on the part of the Government to consider the question of carrying out the recommendations of the Report so far as they are applicable to your industry. The Ministry of Labour will be willing to give every assistance in its power in the establishment of Industrial Councils, and will be glad to receive suggestions as to the way in which it can be given most effectively. In particular, it will be ready to assist in the convening of representative conferences to discuss the establishment of Councils, to provide secretarial assistance and to be represented, if desired, in a consultative capacity at the preliminary meetings. The Ministry will be glad to be kept informed of any progress made in the direction of forming Councils. Although the scheme is only intended, and indeed can only be applied, in trades which are well organised on both sides, I would point out that it rests with those trades which do not at present possess a sufficient organisation to bring it about if they desire to apply it to themselves.

In conclusion, I would again emphasise the pressing need for the representative organisations of employers and workpeople to come together in the organised trades and to prepare themselves for the problems of reconstruction by forming Councils competent to deal with them. The Government trust that they will approach these problems not as two opposing forces each bent on getting as much and giving as little as can be contrived, but as forces having a common interest in working together for the welfare of their

industry, not merely for the sake of those concerned in it, but also for the sake of the nation which depends so largely on its industries for its well-being. If the spirit which has enabled all classes to overcome by willing co-operation the innumerable dangers and difficulties which have beset us during the war is applied to the problems of Reconstruction, I am convinced that they can be solved in a way which will lay the foundation of the future prosperity of the country and of those engaged in its great industries.

I am, Sir,

Your obedient servant,

GEO. H. ROBERTS.

Frank, Glenn.
The politics of industry.