THE ECONOMIC IMPLICATIONS OF DEMOCRACY

by

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Preface.

This thesis is frankly only an introductory study. As a preliminary a brief study was made, in Chapter I, of a few of the presuppositions of the present industrial and economic system, the effects of the working of the system on the personality of great masses of the population and the resulting misfunctioning of the whole. In Chapter II, certain salient points in the democratic method of social organization were discussed in an attempt to work out a mental tool or working hypothesis to be used in developing a criterion to aid judgment in examining the concrete developments in industrial and economic organization. In Chapter III, certain logical implications of the criterion are suggested and some of the concrete developments indicated which upon further examination may serve to prove or disprove the value of the criterion. This detailed examination must be reserved to a future time.

I wish to acknowledge my deep indebtedness to Prof. V. E. Helleberg of the Department of Sociology of the University of Kansas for the in-
spirations, suggestion and criticism which has made possible the writing of this paper. I also wish to acknowledge further valuable criticisms and suggestions by the members of the Sociology Seminar and the invaluable aid of my wife throughout.

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Chapter I.

Some Sources and Weaknesses
of the Present Economic System.
A sound theory is the most practical tool man possesses; an unsound theory is a potentially and only too frequently, an actively destructive instrument. In either case, a theory is not the transcendental, functionless, inconsequential concept that it is commonly assumed to be. Good or bad, it has tremendous power for weal or woe. Theory and practice are only temporarily separable. Theory grows out of practice, i. e., is based on past experience, and serves as a guide to further practice. It is the theory of practice. They are two essential parts of one process—the process of reconstruction of activity that is ever and must ever go on in social life.

Theories, in other words, are merely elaborate hypotheses to be used and tested in acts of reconstruction. "They are to be accepted as bases of actions which test them, not as finalities. To perceive this fact is to abolish rigid dogmas from the world. It is to recognize that conceptions, theories, and systems of thought are always open to development through use. It is to enforce the lesson that we must be on the lookout quite as much
for indications to alter them as for opportunities to assert them. They are tools\(^1\)---to be used in reorganization of a given environment, in the removal of some specific trouble and perplexity and "the test of their validity and value lies in accomplishing this work. If they succeed in their office, they are reliable, sound, valid, good, true. The hypothesis that works is the true one.\(^2\) The consequences of the application of a given theory must be noted, and it held only as a working hypothesis until results confirm or disprove its rightness.

The process is a slow and continuous one of theoretical formulation on the basis of past experience and present conditions, testing in action and reformulation in the light of results. No one theoretical formulation can safely be assumed to be complete or final. No more can any particular act or type of activity, though it meet the need at a particular time and place, be assumed to be a final solution of any problem. Changes in the other factors in the social process will necessitate further changes at that particular point at a later time.

Continuous reconstruction is necessary on the basis of the organized and successfully functioning. A moving equilibrium must be maintained in the whole,

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2. Ibid., P. 156.
through successive reconstruction of all the parts.

What is the application of all this to this thesis? It will be said, and truly, that it is to a large extent theoretical. But the attempt has been to make it theoretical in the sense referred to above, i.e., to formulate what seems to me to be a sound theory on the basis of past experience and present conditions. It is not assumed to be complete or final. Subsequent action will, I trust, give it the necessary testing, thus providing the basis for a new and better formulation. Only thus can advance be made. As will be indicated by references throughout, an increasing volume of literature points toward the viewpoint here set forth, and, more important that that, actual developments point in the same direction. The testing in action is taking place.

I shall, in this first chapter point out only certain of the more important of the presuppositions of the modern capitalistic industrial organization. Manifestly, it must be extremely brief and incomplete. A reasonably full discussion of even the points mentioned would be entirely beyond the scope of this paper.
It would necessitate a very obtuse mind in these days to fail to recognize that there is something wrong in our economic and industrial life. There are comparatively few who do not recognize the fact in some degree. With the recognition, however, unanimity appears to cease. When the question as to the nature of the trouble and the explanation of it is approached there are a tremendous variety of responses given. They begin with Adam—the old Adam that is in all of us and is particularly evident in our laborers and capitalists; and extend down to the latest, most awesome, and most comprehensive of all, --Bolshevism,—which though we may not be quite sure what it means is surely sufficient to explain any and all industrial disturbances that may be experienced.

There are certain manifest favorites among these explanations, some of which are: human nature, which is essentially self-seeking and greedy; labor unions, which are the incarnation of this greediness; capitalistic corruption; socialistic propaganda; I.W.W.ism; and a comparatively new one, being assiduously spread these days, according to which a large proportion (70%, to be exact,) of the population are
of such a low grade of mentality that they will not trust the word and believe in the good wishes of their mental (and financial) superiors, the employing and managing class! If they would do this, according to Mr. H. H. Goddard, a noted psychologist, they would not strike.¹

We, the people, think as little and as seldom as possible. So long as our wants are reasonably well supplied at not too excessive prices, i.e., so long as industry functions fairly well, we pay little attention to it—its organization and workings. When, however, our supply of coal for winter is threatened, when our train service is curtailed, when we cannot market the goods we have to sell or get the goods we want to buy, then we become conscious of the industrial and economic system, seek for some explanation, devise what we believe to be a remedy, then forget the whole matter.

So continuous and persistent have been the interruptions to the normal functioning of industry of recent years, so evident is the fact becoming that at certain strategic points its effective functioning is breaking down, so inadequate and ineffective have proven the explanations we have given and the remedies

¹. Statement made in a lecture delivered at Kansas University during the summer of 1922.
we have devised, that we are slowly beginning to realize that we must go deeper, that we must delve into the very foundations of the present economic structure and see whether they are sound or whether they have been outgrown and are unfitted to the present day. If the latter is found to be true, the only effective solution must be a complete re-organization in the light of present day conditions and knowledge.\(^1\)

For our industrial and economic structure has a very definite and important function to perform, so fundamental that its non-performance in many lines would bring an almost immediate collapse of our modern civilization with appalling loss of life. Briefly, this function is to supply mankind with the goods and services that it needs. "An industry, when all is said, is, in its essence, nothing more mysterious than a body of men associated, in various degrees of competition and cooperation; to win their living by providing the community with some service which it requires . . . . . its function is service, its method, co-operation."\(^2\)

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1. Some evidence of the extent of the recognition of this fact is presented by the flood of literature that is appearing on the subject – not only from avowed socialists but from business men, industrial engineers, psychologists, even economists.

The essence of any function is service. A function is an activity needing to be carried on to promote the life of the organism. By a process of selection a structure is developed to carry on the activity. "Activities that benefit an organism and help it survive and reproduce result in increased energy and are pleasurable, hence emphasized by the memory and more easily repeated than the other activities and repetition ends in organization, that is, the building up of a special structure to maintain the activities." 1

Seeing is the function of the body performed by the eye—the structure developed for its performance. The supplying of goods and services is a function of the entire social body. For its performance there has been developed a structure—the industrial and economic system. But as the act of seeing is not performed by the eye solely for its own benefit, though it shares in that benefit, so the supplying of goods and services should not be carried on primarily for the benefit of those engaged in it, either through labor or through the

1. From an unpublished classroom paper "Public Opinion" by Prof. V. E. Helleberg.
supplying of capital. Service to the whole of which it is a part, is the indispensable basis.

The development of a specialized economic structure has been long in process. It has assumed many forms, depending on the state of advancement and other environing factors. The retaining in some degree of the basis of service to the whole has been necessary to the really successful performance of its function. In the past, the process of selection has compelled a more or less close adherence to service as the criterion. It was certainly present in primitive life in the first division of labor which was the beginning of the development of the economic structure. Divisions were made and multiplied because the interests of the group as a whole were better served thereby, in spite of the fact that even at that time it involved domination and exploitation. The group was the unit. It must be borne in mind, however, that the size of the group was very small and that the complex inter-relations of modern civilization did not exist.

This functional effectiveness was maintained also, during at least the earlier part of the handi-craft stage of industry when the craft-gilds established and maintained certain standards as to size
and quality of production, and prohibited deceitful practices, punishing by fines any violations of these regulations, even expelling from the gild for repetition of an offense. Also direct personal relations between producer and consumer not only facilitated but made necessary in most cases the maintenance of such standards. A suit of clothes made to the order of a customer with whom the tailor was in direct personal contact had to be satisfactory or his business suffered. Service was the most direct way to a livelihood under these conditions. Good quality and a fair price to the consumer as well as good working conditions for the producers were ideals of the craft-gilds. During the latter part of this stage of industrial organization "the old democratic organization of the gild had given place to an autocratic organization based on class interests and wealth."¹ Gild regulations and practices became injurious, and relations became more and more indirect. The people were "left unserved," in the words of a London ordinance of the time.

With the coming of the modern industrial system we find a change of attitude---not abrupt, but

developing slowly as the bases upon which it was founded and the various factors entering into it were more fully developed. The social function that should and must inhere in the industrial structure has not been maintained. Service, its functional basis, though maintained to a sufficient degree to prevent its elimination has been relegated to a secondary position.

One big factor making for the change is the fact of the machine, and the enormous changes it has brought, increased production, accumulation of capital, impersonal relations, separation of producer and consumer, etc., changes so great as to make the difference between the modern industrial system and the system that preceded it, appear to be not only one of quantity, size, but one of quality as well; and it actually becomes different in quality in-so-far as the service basis is dropped from it.

But functional ineffectiveness is not inherent in machine production. Other factors which had been slowly developing for centuries before the machine revolution, lie back of this phenomenon, and are equally responsible for it.
The most far reaching of these factors was the development of a self-centered individualistic outlook based, as I shall point out in a later chapter, on a false psychology.

The problem of the relations of the individual and the group has been and is one of the most fundamental that mankind has had to face. Practically the whole of the history of mankind has, in one way or another, centered around this problem. It has been one of the principal problems of philosophy. Throughout the ages there have been alternating periods of emphasis, or rather overemphasis on the group and on the individual, resulting, in the former case, in a fatal subordination of the personality of the individual, his initiative in thought and action, to the group; and the latter, in such an overemphasis of individual rights and of the sense of individual independence and self sufficiency, and such a consequent neglect of social relationships and responsibilities as to menace group welfare.

A sound solution which is dependent on an understanding of the social nature of the individual, could not be worked out until man, dropping his primitive, absolutistic, supernatural conceptions of his
origin and nature, subjected himself to scientific study and investigation; i.e., passed from a static to an evolutionary conception of himself. This is the task of modern social psychology, which, in tracing out the process of individual and social development, is supplying the necessary basis for the solution of this problem and the great mass of contingent problems.

This process will be touched upon in a later chapter. Our task just here is to point out very briefly the development of the individualistic outlook which underlies so much of present day social organization, especially, as indicated above, the economic and industrial system.

The beginning of the modern emphasis on this viewpoint was marked by the beginning of the emancipation of the individual from the repressions of feudalism. That system reflected in its organization the then current conception of the universal natural order, an order of a limited number of fixed, immutable species. The counterpart of this in social organization was found in an hierarchy of classes which was likewise fixed, unchanging.

"The metaphysical doctrine of the superiority of the species to the individual, of the permanent
universal to the changing particular, was the philosophical support of political and ecclesiastical institutionalism. The universal church was the ground, and limit of the individuals beliefs and acts in spiritual matters, just as the feudal hierarchial organization was the basis, law and fixed limit of his behavior in secular affairs. 1 Status, fixed by authority, was the basis. The individual was restricted by bonds of class and custom.

Beginning in the 16th century, these bonds began to be relaxed. By the 17th century "men had been so liberated from absorption in larger groups that they were conscious of themselves as individuals having rights and claims on their own accounts, not simply as members of a class, guild, or social grade." 2 Political, religious and moral individualism developed. Luther, Calvin, Hobbes, Locke, Rousseau, Adam Smith, ---these names with a host of others are stepping stones in its development. Protestantism, the Calvinism of Geneva and New England, the French Revolution, the doctrine of natural rights embodied in the American Constitution and Declaration of Independence, freedom of contract, unrestricted competition in business---these are some of the high lights in its concrete expression.

2. Ibid.
One of the earliest evidences of this movement was the Protestant revolt. While it did not by any means at first eliminate the idea of supreme authority, nor go far in granting freedom of thought, yet "it effected liberation of the individual conscience and worship from control by an organized institution claiming to be permanent and universal," and as it developed gave rise to a religious individualism which "served to supply a much needed sanction to initiative and independence of thought in all spheres."2

The working out of this religious individualism is clearly seen in Calvinism, as developed in Geneva and in Puritan New England. Based on a belief in the absolute sovereignty of God, and the utter depravity of man, it held that the individual was in direct relationship with God. He was responsible not to any institution, not to fellow men, but to the Infinite Ruler of an indefectible universe." This lifted the individual out of his social setting. The ties of family, community, and state were negated by a higher, more compelling loyalty."3

2. Ibid.
The development of standards of social responsibility, more and more imperative in the increasingly mutualized social order, was thus hampered and largely prevented.

"It was the Puritan conception of the Deity as not alone all-determining but precisely responsible for the practical affairs of the race, as constituting, in fact, the state itself, which precluded in advance any central bond and responsibility, any common feeling in American affairs, and which justified the unlimited centrifugal expediency which has always marked American life."¹ This centrifugal expediency has operated in all directions "against common standards of any kind", it has become the order of the day—particularly evident in the business world.

As the sense of the responsibility of the individual to God and loyalty to this universal moral order faded from the minds of men, there was left a non-responsible, selfish individualism, unhampered by any standards of social responsibility. The welfare of the individual became the aim of his own activity. With the coincident rise of machine industry and the

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¹ Brooks, Van Wyck: America's Coming of Age. Quoted in Mechlin, Introduction to Social Ethics, P. 28.
monetary standard of worth, the aim of industrial activity became largely individual monetary profit. 1

This individualistic outlook fitted in well with American conditions as they existed a hundred years ago. The apparently boundless resources of the continent awaiting exploitation—fertile land, endless forests, mineral deposits,—and the necessarily somewhat independent, self-sustaining, self-reliant life of the pioneer developed enormously the individualistic spirit, and in the same proportion prevented the development of a recognition of the social individual, the mutuality of interests and socialized democracy. As Weyl points out "The conquest of the wide-stretching continent lying to the west of the Appalachians, gave to American development a tendency adverse from the evolution of a socialized democracy. It made America atomic. It led automatically to a loose political coherence and to a structureless economic system."2 There developed "a lawless, traditionless exploitation of boundless resources according to the will and ideas of each."

1. We are not insensible to the fact that other aims enter in. This will be touched upon later. The fact remains that this is the principal aim—the basis of most of the others.

Individualism found its highest expression in private business, the making of money, the amassing of property which became largely the standard of value, of success. Business principles and methods reflected the individualistic outlook. An unprincipled code of business morals arose. Economics and ethics came to the parting of the ways. They were separated, placed in isolated "compartments" of the mind of the business man and student of economics, and were never allowed to meet in the realm of practice. Ethical considerations became a Sabbath day pastime; economic considerations the serious occupation of the week days. Competition was the key-word—the making of money the aim. "Competition was war, and in war all was fair."¹ It was "each for himself, and the devil take the hindmost."

Enormous private fortunes were amassed, some of which no doubt were due primarily to a wholesome combination of genuine business or technical ability and legitimate, i.e., socially beneficial, business activity. Others, and with little doubt, the larger portion, were based on business practices which, while legitimate in the strict sense of the term are coming to be condemned as socially harmful.

Such, for example, as monopoly advantages, wholesale appropriation and wasteful exploitation of natural resources, stock gambling, special privileges, including rebates, land grants, cash subsidies and guarantees of bonds, bounties and bonuses by national, state and local governments.

The interest of the individual was paramount, the interest of society as such was nil. The current attitude was summed up in the phrase 'The public be damned.' Following Adam Smith, it was assumed, by those who gave any thought to the matter at all that the best interests of society would be best served through the greatest possible freedom of individual initiative.

More important than this was the industrial concentration and combination which began and which is still going on. The panic of 1873 marked the climax of expanding and competitive industry. Thereafter a rapid growth in production, increase in population and conquests of international markets were accompanied by a decrease in the number of firms in the leading industries.

Profit seeking individual enterprise in most of the important lines of industry gave way to profit seeking corporations and trusts. As one writer puts it, "The profit seekers decided to hunt
in packs instead of as individuals and the trust appeared as the dominant figure of industry.¹ But it is still individualistic in its outlook and purpose. Individual profits for entrepreneurs and stockholders is the aim.

Economic theory assumes that the making of profits is based fundamentally on the rendering of service; that service must be rendered before profits will accrue; that ability to acquire wealth is proof of ability to create wealth. This is far from being true. If it were, there would be no quarrel with the taking of profits in present day economic activity. Ability to acquire wealth—to make profits is proof only of itself—is proof only of ability to exploit wealth and has no necessary connection with ability to produce—to supply goods, or to render service.

In a declaration of principles made by the leading industrial engineers of the United States in 1919, this statement occurs: "The prevalent unrest in industry results from a system which permits the acquisition of wealth for which no adequate service has been rendered, and tolerates special privilege with the resulting exploitation of men, women and children. Great powers have been used arbitrarily

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and autocratically to exact unmerited profit or compensation by both capital and labor. This policy of exacting profit rather than rendering service has wasted enormous stores of human and natural resources, and has put in places of authority those who seek selfish advantage regardless of the interests of the community."¹

The extent to which the two are dissociated is becoming more and more evident, and in so far as it is being realized is one of the important causes of unrest at the present time.

It was strikingly brought out during the recent war. It is well known that our industrial system did not measure up to what was expected of it. The reason for this failure is well pointed out by H. L. Gantt, one of the most far-seeing of the industrial engineers. He says: "The reason for its falling short is undoubtedly that the men directing it had been trained in a business system operated for profits, and did not understand one operated solely for production." These "men directing it" were "many of our leading business men who had accumulated wealth through the accepted business methods

¹ quoted in Edie: Principles of the New Economics. P. 96.
which had to do primarily with buying, selling, financing, etc., (who) went to Washington and offered their services at a dollar year. They did this with the best intentions, --believing that the business methods which had brought them success in the past were the ones needed in time of war. They soon found that the government had taken over all financial operations; that there was no selling to be done, and that the problem quickly reduced itself to one of production in which many of them had had no experience."

After pointing out that the great campaign for efficiency which has been carried on in this country for years has not produced efficiency in the production of goods, he says; "Yet surely the long campaign for efficiency has been honestly and seriously waged. Why, then, have our results been so meager? The answer is simple enough and plain. The aim of our efficiency has not been to produce goods, but to harvest dollars. If we could harvest more dollars by producing fewer goods, we produced the fewer goods. If it happened that we could harvest more dollars by producing more goods, we made an attempt to produce more goods: but the production of goods was always

secondary to the securing of dollars."¹ Lippman points out the same fact: "Inventive genius lives from hand to mouth and some smart person capitalizes its achievement. It pays better to own land than to cultivate it, to draw dividends than to create them. The great fortunes go to those who control the franchises, the forests, the water powers, the mines; not to the engineers, the administrators and the workers who are hired to use them. If I can 'corner' the wheat supply, if I can make food scarce, if I can contrive some new fraud or stimulate some new madness in fashion, I can grow rich beyond the dreams of honest labor . . . . there is no real relation today between money making and useful work."²

According to Gantt the business system retained service as its primary basis until the latter part of the 19th century. Due to the rise of a better technology, reduction of expenses, and various other factors, it was found that larger industrial combinations could render better and more effective service than the smaller ones, hence the smaller were gradually replaced by the larger. Communities became absolutely dependent upon the service of large organizations. A new class of business men arose who realized that they could force the community to

accept such service as they would offer, at their own prices. Hence profits took the first place, and service the second. 1

No doubt this is largely true. As I have said, the industrial system has and does supply a large degree of service. The change of position of the two motives did not occur over night. The exact dates of the change is not especially important,—the fact of its having occurred is the vital one. We shall, in a later chapter analyze this motive to see whether, as is maintained, it is the only possible motive. Here we will accept it for what it is,—the predominant motive.

Adam Smith, one of the 'fathers' of economic theory said "The consideration of his own private profit is the sole motive which determines the owner of any capital." Unfortunately, this is just as true today, if not more true, than when first stated. "The proximate aim of the business man," says Taussig, "is to make money." How often do we hear of a man entering the business life in order to render service to his fellow men?

Not only is the profit motive accepted as the predominant one in present day economic and industrial

1. Organizing for Work. P. 100.
activity. Supported by an individualistic Psychology it is accepted in current economic theory as an ultimate fact—ultimate because based on human nature. And human nature, so it is said, is fixed and unchangeable. The basic motive of human nature is self-interest. This self-interest is expressed through the acquisitive instinct and the self-assertive instinct, which are closely connected. Hence, the permanent necessity of profit as an incentive to the use of capital by the owner thereof.

For the laborer, the man who does not own capital, but is dependent upon his labor by hand or brain for his livelihood, the case is not essentially different. Work to him is essentially distasteful, a thing to be avoided in so far as possible. As an incentive to activity, he must be paid wages, or a salary. It is his sole possible motive.

Thus we have, based on the assumption of self-interest as an ultimate fact, two systems—the profit system for capital owners, and the wage system for laborers—which are, from their very natures opposed to each other. Their struggle over the distribution of the proceeds of industry has grown more and more intense, with the laborers in the unionized industries making considerable gains, during recent years.
In discussing function, we said that it involved the idea that an activity is not carried on primarily for the benefit of the organ or group engaged in it. This is exactly what occurs when service is replaced by private profit as the motive. However, it must be borne in mind that there are, roughly, two groups in the industrial system: the owners, or representatives of the owners of capital, and labor,—employers and employees. Control and direction of policy is assumed without question in orthodox economic theory, to belong to, and in practice, with few exceptions has been exercised as an inherent right by the owners or representatives of capital, i.e., property. The profits of an industry by "right" belong to these owners because their capital is oftentimes risked in promoting an industry. It is the necessary incentive to get them to use their capital productively. This 'right' has been exercised to the full. Profits, except as the laborer had demanded an increased share in the form of wages, etc., has gone to capital. This conception of property as a "right" and the accompanying "right" of control demand further statement, being, as they are, two of the fundamental conceptions underlying the present economic system.
Coincident with the individualistic development of which we have spoken, and in reality, a phase of it, was the growth of the doctrine of natural rights which, beginning with the Stoics, was most clearly formulated by Hobbes, Locke and Rousseau. The individual was considered to be the primary, ultimate reality. Inherent in his nature and inseparable from it were certain rights. These rights were the foundation of the social order. All else was subordinate to them. Society arose through contracts of individual with individual. Its purpose was to protect these rights and to provide full opportunity for their unrestricted exercise. This it was to do through maintaining freedom of contract.

Among the most fundamental of these natural rights were the rights to private property—rights which were independent of the laws and institutions of men. This doctrine has been incorporated directly or indirectly into almost every bill of rights and state constitution of the nation. While not distinctly enunciated in the Federal Constitution yet in the endeavor to organize and consolidate the property interests in support of national unity, private property was given a position of immunity and privilege which, as developed through subsequent court
decisions, is adverse to the growth of social and industrial democracy. This position has been well stated by President Hadley of Yale. He says:

"The fact is, that private property in the United States, in spite of all the dangers of unintelligent legislation is in a stronger position as against the Government and the Government authority than is the case in any country of Europe . . . . there is no nation which by its constitution is so far removed from socialism or from a socialistic order. This is . . . . chiefly because the rights of private property are more formally established in the Constitution itself."\(^1\) He shows that in the framing of the Constitution of 1788 in providing for mutual limitations upon the powers of Federal and State Governments, certain very extraordinary immunities to property holders as a body were incorporated. Thus the provisions that there should be no taking of private property without due process of law and that no state should pass a law impairing the obligation of contracts, vested property rights of the individual were protected against legislative and executive interference. These two clauses also in-

directly and powerfully aided in establishing the courts in their position of supremacy by making necessary the judicial review of any legislative or executive act which might in any violate these constitutional provisions.

Through the judicial decision in the Dartmouth College Case in 1816, that a charter was a contract, and the interpretation in 1832 of the 14th amendment as applying to corporations as well as persons, the position---i.e., the rights and privileges of "private property in general and corporate property in particular" have been further enormously strengthened. "The general status of the property owner under the law cannot be changed by the action of the legislature or the executive, or the people of the state voting at the polls, or all three put together." It cannot be changed without a consensus of opinion among the judges, which should lead them to retrace their old views, or an amendment of the Constitution of the United States by the slow and cumbersome machinery provided for that purpose, or, last, and I hope most improbable---a revolution."

The fundamental division of powers in the Constitution of the United States is between voters
on the one hand, and property owners on the other. The forces of democracy on one side, divided between the executive and the legislative, are set over against the forces of property on the other side, with the judiciary as arbiter between them, the Constitution itself not only forbidding the legislative and executive to trench upon the rights of property but compelling the judiciary to define and uphold those rights in a manner provided by the Constitution itself. It (this theory of American politics has had the most fundamental and far reaching effect upon the policy of the country . . . . . Democracy was complete as far as it went, but constitutionally it was bound to stop short of a social democracy . . . . . . I will say unhesitatingly that it has been a decisive factor in determining the political character of the nation and the actual development of its industries and institutions."

Property rights being regarded as natural rights implies that they are absolute and exclusive. Rights are emphasized to the relative exclusion of function, which is the only sound basis of any right. "What it (this doctrine) implies is, that the foundation of society is found, not in functions, but in rights, that rights are not deducible from the dis-
charge of functions, so that the acquisition of wealth and the enjoyment of property are contingent upon the performances of services, but that the individual enters the world equipped with rights to the free disposal of his property and the pursuit of his economic self-interest, and that these rights are anterior to, and independent of, any service which he may render. True, the service of society will, in fact, it is assumed, result from their exercise. But it is not the primary motive and criterion of industry, but a secondary consequence, which emerges incidentally through the exercise of rights.¹

Rights are primary, responsibilities and duties secondary, or non-existent.

Ownership, according to this theory, is absolute and unconditioned and involves no obligations. The owner is free to do what he wishes with his own—to use it in any way that best promotes his own interests. He may destroy food supplies in order to keep prices up, because the right of property includes the right to waste and destroy—to free disposal. To illustrate this it is only necessary to mention the enormous waste in lumber, and the waste of gas by seekers of oil.

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This conception of property developed in the comparatively simple economic life of the pre-industrial era, has been carried over into the modern capitalistic age of corporations and financial concentrations of a magnitude formerly undreamed. It is being qualified in practice through exercise of the power of taxation, the power of eminent domain and increasing application of police powers and power to control property affected with a public interest, etc., though as a usual thing, as Tawney says, "It is limited in special cases precisely because its general validity is regarded as beyond controversy and up to the eve of the present (1914-18) war, it was the working faith of modern economic civilization."\(^1\)

Among these inherent rights of property as enumerated by Edie are: the right to acquire property, the right to unlimited income, the right to security of property and income, the right of freedom of contract, and the right of property to industrial control.\(^2\) Each of these rights, in spite of limitations placed on their exercise, has very important results in the economic life of the present. Not-

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withstanding their importance, we shall here emphasize only the last,—the right of property to industrial control, which is in some respects the most distinctive of all property rights. "A right of property," says Hobhouse, "is in general a recognized power of control over something. The right may be delegated or it may be shared, and it may be limited in all sorts of ways by other rights of control; but in so far as it extends it is exclusive, barring out the interference of others."¹ The owner of property not only can determine whether property shall be used or destroyed, but if used, to him by right belongs the entire control over all the conditions of its use.

This power of control becomes of especial moment when the property consists of means of production. According to its extent, it then involves a control over persons as well as things, a control exercised not primarily in the interests of the welfare of both parties nor of the other members of the group, but primarily in the interests of the property owner.

In our large scale industry with increasing financial centralization this control becomes essen-

tially autocratic. A Gantt says: "The great was through which we have just passed has done away with political autocracy, apparently forever, but it has done nothing whatever in this country to modify the autocratic methods of the business system, which is a law unto itself and which now accepts no definite social responsibility. This force is controlled by and operated in the interests of ownership, with, in many cases, but little consideration for the interests of those upon whose labor it depends, or for that of the community."¹ "As business regulates and controls industry for ulterior purposes, that is, for other purposes than production of goods, it thwarts the development of individual lives and the evolution of society . . . . It values a worker not for his potential productivity but for his contribution to the annual stock dividends."² Political autocracy is, in principle, a thing of the past; in fact, it can never be completely eliminated until autocracy in industrial life is likewise eliminated. Here, with certain exceptions it is the prevalent method of organization supported by tradition, by much of

¹ Organizing for Work. P. 100.
economic teachings, by all the power of the dominant interests, and by much of current psychology. "In a day in which democracy is regarded as the conscious goal in political development by practically all the nations in the world, autocratic organization is still a widely accepted rule in industry."\(^1\)

Though being progressively encroached upon by labor organizations, government boards, minimum wage and maximum hour laws, health and sanitary regulations, we find that questions of wages, hours, conditions of labor, hiring and discharging, etc., are still largely under the control of the owner or his representatives. Questions as to policy, business organization, buying, selling, management, discipline, etc., are almost entirely so.

As a somewhat extreme but in most respects typical illustration we will take the United States Steel Corporation, accepting the conclusions of the Interchurch World Movement Report on the Steel Strike of 1919. "... Conditions of labor were fixed by the corporation, without collective bargaining on any functioning means of conference, also without above board means of learning how the decreed condi-

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1. The Church and Industrial Reconstruction, P.74.
tions affected the workers. Ultimate control of the plants was vested in a small group of financiers whose relation to the producing force was remote. The financial group's machinery of control gave it full knowledge of output and dividends, but negligible information of working and living conditions. 1

"The Steel corporation's arbitrary control of hours and wages extended to everything in steel jobs, resulting in daily grievances." 2 A pernicious extension of control is indicated by the following:

"The arbitrary control of the Steel corporation extended outside the plants, affecting the workers as citizens, and the social institutions in the communities.

"In Western Pennsylvania, the civil rights of free speech and assembly were abrogated without just cause, both for individuals and for labor organizations." 3

Judge Gary's policy toward the workers is well shown in an address given before the presidents of the subsidiary companies of the United Steel Corporation (on Jan. 21, 1919). He said in part:

2. Ibid., P. 14.
"Make the Steel Corporation a good place for them (the workers) to work and live. Don't let the families go hungry or cold; give them playgrounds and parks and schools and churches, pure water to drink, every opportunity to keep clean, places of enjoyment, rest and recreation; treating the whole thing as a business proposition, drawing the line so that you are just and generous, and yet at the same time keeping your position and permitting others to keep theirs; retaining the control and management of your affairs, keeping the whole thing in your own hands, (italics mine) but nevertheless with due consideration to the rights and interests of all others who may be affected by your management."¹

Statements made in a recent interview by James Couzens, former business partner of Henry Ford, recently appointed United States Senator from Michigan bears out this point. He was asked what it is that prevents business men, as a rule, from seeking or accepting political office. "Very few of them are fitted for it at all," he replied, "... and there is one fundamental reason which is very clear... Men who have had the responsibility of directing large

enterprises have become accustomed to dealing with
things as things. A dollar means just a hundred
cents, no more, no less. Inevitably and automatically
they reduce the value of men, and without ever mean-
ing to be inhuman or inconsiderate, to one common
denominator. What is worse for them if they ever
get into politics, as business men, if successful in
a large way—nobody ever talks back to them. They
give orders, and the orders are obeyed. That is all
there is to it.

"In politics you reverse this process. You
take orders, and you take orders from the people, and
it is pretty hard for a man who has all his life
given orders and who has been taught by everyone with
whom he came in contact that his orders are just, and
that even if unjust they have to be executed without
delay or criticism; it is pretty hard for that type
of man to begin all over again." 1

The point does not require further em-
phasis, though countless illustrations could be given.
In spite of the increasing limitations referred
to above it is the predominant attitude in industry

and, as we shall point out later, is coming to be one of the central points in the industrial struggle.

We have, in this brief analysis of the present industrial system, pointed out only four of its characteristics or presuppositions which have seemed to us especially significant, viz.: self-centered individualism, the primary place of the profit motive, emphasis of rights rather than functions, especially with reference to property, and autocratic control. Very important also is the matter of impersonal relations. This point will not be discussed because of the already excessive length of this chapter. The incomplete character of the analysis is recognized. No attempt was made to give a full discussion, manifestly impossible in a paper of this length. There are numerous qualifications which apply to certain of the above statements. Predominating features only have been stated. There have been exceptions and qualifying conditions throughout, and, as every student knows, are becoming more and more prevalent through legal regulation, collective bargaining, enlightened employers, etc. Space cannot here be devoted to making these qualifications more explicit. It remains to trace out to some extent certain of the far-reaching effects of these various factors.
The fact that the economic system has, to a certain degree, performed its function is not questioned. Though with enormous waste and selfish appropriation of natural resources, it has supplied goods and services—to those who under the system of wealth and income distribution embodied in it, were able to pay the price. To an increasing extent this functioning is being interrupted and interfered with by a growing volume of industrial and social unrest and dissatisfaction with economic conditions evidenced by innumerable strikes and by the lack of the whole hearted cooperation of workmen in production. Industry cannot function efficiently without this whole hearted co-operation of labor. That this cooperation is not secured under the present system is self-evident. This unrest and lack of co-operation is rooted deep in the organization of the present system. They grow directly out of the positions outlined above.

The outstanding fact is that the present system prevents the development of the personality and sound character of the workmen. Some of the more important phases of this repression will be briefly stated.
The first to be noted is the fact of a distribution of wealth and income so unequal as to be decidedly unjust and harmful to a large section of the working population, hence inevitably harmful to the social whole. We are not interested primarily here in the fact of inequality of wealth and income as such so much as in these inevitable effects upon the lives of great masses of the population. As setting forth the facts as to the distribution of wealth we shall cite the finds of King, "Wealth and Income of the People of the United States." Though the figures are rather old they will serve to illustrate the point. The net result since the time of this study has been to increase the inequalities.

As stated in the report of the commission on Industrial Relations, "The actual concentration, however, has been carried very much farther than these figures indicate."¹ He shows the relative distribution of wealth among four classes: The poorest class, consisting of those having 'little or no property except furniture, clothing and personal belongings'; the lower middle class composed of those 'having a little property, perhaps a thousand dollars worth on the

¹ Pages 28, 29.
average'; the upper middle class, consisting of the well-to-do with property valued at from two thousand to forty thousand dollars'; and the rich, or those having property valued at more than fifty thousand dollars. The poorest class comprising 65% of the population, own about 5 or 6 percent of the wealth; the lower middle class, comprising 15% of the population own about 4%; the upper middle class, comprising 18% of the population own about a third of the wealth; the rich, made up of the remaining 2% of the population, own almost 60% of the wealth.

As to income we shall cite the conclusions of the National Bureau of Economic Research based on a study of income in the United States for 1909-1919. "In 1913, the year for which the best data are available . . . . . the most prosperous one per cent of the income receivers had nearly 14% of the total income; the most prosperous 5% of the income receivers had nearly 26% of the total; the most prosperous 10% of the income receivers had nearly 35% of the total; and the most prosperous 20% of the income receivers had about 47% of the total income."

Ten persons had incomes of $4,000,000 and over, the ten having a total income of $81,000,000. One hundred and fifty-two persons had incomes of
$1,000,000 and over. On the other hand, the least prosperous 1% of income receivers had less than two-tenths of one percent of the total income; the least prosperous 5% of income receivers had less than 1% of the total income; the least prosperous 10% had about 2.5% of the total income; the least prosperous 22% of income receivers had about 8% of the total income.

Five and four tenths per cent of income receivers had incomes of $500 and less; 33.74% of income receivers had incomes of $1,000 and less; 72.01% of income receivers had incomes of $1,500 and less; 85.92% of income receivers had incomes of $2,000 and less.

Of the 37,569,060 income receivers 32,270,411 had incomes under $2,000; 5,290,649 had incomes over $2,000.

The significance of these figures is best seen in comparison with estimates as to the amount of income necessary to the maintenance of a reasonable standard of living. There are two most clearly distinguished budget levels. First, the minimum of subsistence level, based essentially on physical well-being, with little or no attention to the comforts or social needs of human beings. Second, The Minimum of Comfort Level, providing in addition some further
measure of comfortable clothing, insurance, some recreation, etc. Even this level, while providing for health and decency provides for very few comforts and is probably below the standard implied by the phrase "The American Standard of Living": As to the first—the Minimum of Subsistence level, various estimates either made or brought up to date as of 1918, the year upon which the above quoted income estimates were based, are as follows,¹ (taking as a basis a family of five):²

1. Prof. Ogilvie's detailed budget from family studies $1,336
2. Chapin's budget brought up to date 1,395 New York Factory Investigation Commission Budget, brought up to date 1,356 New York Board of Estimate Budget brought up to date 1,317
3. (Estimate) from food allowance 1,396

Average of all five estimates $1,370

1. Since these studies deal with large eastern cities, chiefly New York, they would not necessarily apply to other sections of the country. The differences, however, except in a few cases would not be very great.
Prof. Ogburn's estimate for the War Labor Board as to the cost of a Minimum of Comfort budget at prices prevailing in June 1918, was $1,760.50.

Reference to the table of incomes quoted above shows that approximately 80% of income receivers had less than the amount of income required for the Minimum of Comfort Level, while over 62% had less than the amount necessary to maintain even the minimum of subsistence level.¹

So much for statistics. Percentages can be estimated and something of the physical and mental deprivation involved can be ascertained, but the full import in restricted opportunity, limited education, suppressed desires, stifled ambition, lack of culture and educational stimuli, stunted and underdeveloped personalities and warped characters can only be surmised. That the present distribution of wealth and income denies to a large majority of men the material goods needed for full and worthy lives seems undeniably true.

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¹ Certain qualifications to this are recognized, e.g., that there is frequently more than one wage earner in a family; that there are some times other sources of income.
Property is an important factor in the development of personality and character. It implies freedom, security, expansion of opportunity for development, possibilities of a broader, freer life. "It is readily apparent, we believe, that a permanent personal control over certain kinds of material things is an essential basis of the good life. Some measure of possessions is needed to make possible free, purposeful and ordered living. Property is, therefore, a great educative force. It develops personality by giving it mastery over objects and assuring a degree of liberty and security that would be impossible if one had no continuing possession of material things. It is thus a foundation of advanced civilization."1 Under the present distribution these things are denied a large portion of the population. "Thus it has come about that the Society which boasts of its reliance on the freedom of the individual self-development, never the less allows only a limited proportion of its individual members to possess this freedom. It appeals to the moralizing influence of ownership, and then denies the possibility of real ownership to the mass of its members.2

The institution of property has, in its modern form, reached its zenith as a means of giving to the few power over the life of the many, and its nadir as a means of securing to the many the basis of regular industry, purposeful occupation, freedom, and self-support.¹

Granting that small income and lack of property do not stand alone, nor, in many cases, primarily, yet they loom large in the chain of conditions which eventuate in meagre, narrow, restricted and often pathological lives.

It may be said that personal inefficiency is primarily responsible for the meagre income of the lower paid workers. Granting that this is true in many cases it must at least be recognized that personal inefficiency in a large number of these cases is only one segment in a vicious circle from which, under modern industrial conditions it is often practically impossible for the individual to break away.

Growing largely from the viewpoint which regards the worker as primarily a machine, a means of wealth production rather than a human end, and the consequent failure to so organize industry as to

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¹. Ibid., quoted in The Church and Industrial Reconstruction, P. 39.
make provision for his security of employment, there is the disheartening lack of continuous opportunity to work, the fact of unemployment. Few circumstances are more quickly and surely destructive of ambition, hope and character. Shiftlessness, dependence, and general deterioration of standards of life almost inevitably result. In the words of the British Quaker Employers: "Regarding the industrial life of the worker from the standpoint of his whole personality, hardly any thing is of greater moment than that, while he is willing to work and capable of doing so, he should be able to work upon a regular income. It is universally acknowledged that insecurity of employment . . . . has a deteriorating effect upon both physique and character." 1

Of even more far reaching importance is the effect in many industries of the subordination of the workman to the automatic machine. The modern automatic machine, while it has enormously increased productive ability, emancipated the workman from many forms of hard and exhausting toil, and made possible the release of an immeasurable amount of human energy, has, on the other hand, resulted in the practical

1. Quakerism and Industry, Edited by J. E. Hodgkin, quoted in The Church and Industrial Reconstruction, P. 40.
separation of intellectual activity from work and has centered it in a few persons—the workers by brain—in an office. Secretary Hoover says: "We must take account of the tendencies of present repetitive industries to eliminate the creative instinct in their workers, to narrow their fields of craftsmanship, to discard entirely the contribution that could be had from their minds as well as from their hands. Indeed, if we are to secure the development of our people, we cannot permit the dulling of their sensibilities."2

It has left for certain types of workmen a minimum of movements almost as mechanical and automatic as those of the machine itself. His activity is dehumanized. His "mental initiative is delimited by the demands of a fixed mechanical process." He becomes, the "human satellite of an impersonal machine," and, so far as the productive process is concerned, a mere machine himself, or more truly a specialized part of a machine.

"Industrial efficiency calls for . . . . close concentration upon the unvarying task, for . . . . . . .

1. It is recognized that there are wide variations in the degree of mental activity required by different types of work. Especially automatic is the work of many machine tenders.
suppression of variations in toil, for rigid control of the work-environment, for elimination of distracting excitements, for subordination of personalities, for the reduction of the common man to the status of automaton. 1

His work is characterized by routine monotony, lack of stimulation. Initiative is stifled and repressed. Minute specialization prevents him from seeing more than the smallest fraction of the whole process. He fails to see the relation of his particular product to the whole product, -- the relation of his activities to the activities of his fellow workmen, and the whole as a creative process. Hence he loses all interest in the process as such; his creative interest is destroyed; there remains no incentive to work except the monetary reward he receives.

These secondary, but tremendously important effects of machine production are very difficult to eliminate, but are not inevitable, at least to the extent to which they now exist.

Not only is there a strong tendency for the worker to be reduced to the status of a machine

because of the necessary process of machine production, but also because of the fact that he is, in many cases, quite frankly so regarded by the employer. He is looked upon as a machine whose labor is to be purchased in the market at the minimum price, just as is any other machine. Theoretically there is a difference in the fact of actual ownership as between machine and laborer but when, for example, the laborer has a large family dependent on him there is little practical difference. In current terms "labor is a commodity," though it is recognized that there is a growing tendency to disclaim this attitude. Laborers are primarily regarded as "means for the production of wealth, rather than as the human ends for the sake of whom wealth is produced."¹

Their position in the present economic system is one of subserviency. This would naturally follow from the fact, stated above, that the control of industry is exercised as a right by the owners or representatives of owners of property or capital. "Servility is a definite component of a system having centralized control of policy as its apex."²

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¹ The Church and Industrial Reconstruction. P. 36.
and direction of policy, conditions of labor, management, initiative, responsibility are centered in a few persons,—the employers. In these things the great mass of laborers have no part. The good workman is one who gets to work on time, does his specified task efficiently and keeps his mouth shut. He has no voice in deciding questions of common concern, all are settled from above. He has no opportunity of understanding or modifying the process of production, no responsibility except the performance of mechanical tasks. His work is deadening rather than educative.

This fact is well stated by Clay: "the manual laborer is getting less, if anything, of the organizing work in industry, the work of direction, which requires initiative and develops character. The specialization of the work of direction, of organization, of initiative in the hands of a small proportion of the whole number of people 'engaged' in industry is perhaps the greatest evil of the modern industrial organization. It removes from the work of the great majority of people the educational element, the element that develops the highest faculties and character. The great mass of workers today are not self controlled. They are cogs in a machine controlled by others, and their efficiency
depends less on their initiative and adaptability than on mechanical regularity of work. They have no part in the organization of the work shop, they have no part in the organization of trade, which is done in the market. Their work is routine . . . . and routine is not educational. It kills initiative and stupefies character . . . . the social result is that the mass of adults have their chief educational element taken out of their work; and since their work occupies the greater part of their working lives and has the first claim on their faculties, the loss is irreparable.  

"1

Under the autocratic control of industry by the owners or representatives of property, the opportunity for choice, so essential to sound character development, is very greatly restricted. As Croly points out, workers are often free to choose a new employer, but a new employer is only a new master, so the only choice is a Hobson's choice.  

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Or, as Webb says: "But the central wrong of the capitalist system is neither the poverty of the poor nor the riches of the rich: it is the power

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which the mere ownership of the instruments of pro-
duction gives to a relatively small section of the
community over the actions of their fellow citizens
and over the mental and physical environment of suc-
cessive generations. Under such a system personal
freedom becomes, for large masses of the people,
little better than a mockery. The tiny minority of
rich men enjoy, not personal freedom only, but also
personal power over the lives of other people; whilst
the underlying mass of poor men find their personal
freedom restricted to the choice between obeying the
orders of irresponsible masters intent on their own
pleasure or their own gain, or remaining without the
means of subsistence for themselves and their families.\(^1\)
Again a rather limited range of choice.

Without self direction and control, opport-
tunity of development of initiative and expression
of choice, without opportunity to accumulate property
except through asceticism, without even security of
income, however small,---surely our boasted freedom
has limits.

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Commonwealth of Great Britain: Introduction,
P. 12.
What kind of citizenship, how much of contentment, intelligence and social attitude can be expected under the conditions outlined above? Upon what ground can be based the expectation of a whole hearted co-operation of labor in the process of production. Practically the whole tendency is against the development of responsible and socialized character in the rank and file of workmen. There should be small surprise that instead of whole hearted co-operation the prevalent condition is one of dissatisfaction, unrest, industrial strife, inefficiency, sabotage, restricted production by individuals and through union regulations.

The old industrial order is thus breaking down in the control of human beings. It is failing to secure their best cooperative effort. It is becoming less and less efficient and in this, failing on the very grounds on which its claim to existence rests. "Though it still works, it works unevenly, amid constant friction and jolts and stoppages, with out the confidence of the public and without full confidence even in itself."1

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There are inevitable reactions to prevailing conditions and there is small hope that they will improve until a thoroughgoing re-organization of the system is effected. We shall, in the following chapter discuss the theoretical basis of this reorganization.
Chapter II.

THE MEANING OF DEMOCRACY
Democracy is a method of Social organization which more fully than any other makes possible and necessitates the development of the highest type of personality and of socialized character. How and why is this true? In order to answer this question we must set forth at some length the conception of democracy upon which the statement is based. It is true, as others have pointed out, that democracy is an unattainable ideal. "The ideal can only be approached, instead of being attained. Each new level of accomplishment reached will merely clarify and broaden the vision of more inviting; but not less difficult democratizing programs still to be undertaken."¹ This is necessarily involved in the process of normal growth, which is in itself an ideal that has supplanted the ideal of a fixed goal which is to be attained, and then maintained. An ideal, partial realization, a reconstructed ideal—this is the never-ending alternation in the process of growth. Ideals of themselves are not ends, they are means, tools.

"Each new level of accomplishment reached" does more than merely "clarify and broaden the vision" -- more than form a basis for a newer and better ideal. It involves an amelioration of actual life conditions which is the justification and basis for the ideal. The democratic ideal will never advance unless it is constantly being put into action. Democracy as an ideal and as an actuality is a progressive growth.

Democracy is not merely a form of government. We are too prone to think of it as being confined to political organization. It is a process or method of social organization, or a way of living, that can be applied to every phase of associated life, i.e., to every phase involving the relations of individuals to each other, or the relation of the individual to the group, and, in truth, must be applied to every phase before its application in political life can be fully effective. We are concerned in this thesis in tracing some of the implications of the application of this method of organization to the industrial and economic system. In this chapter we shall present briefly what seem to us to be the salient points of this method.
In the life of every group—arising from the endeavor of men to live and to live well in a particular social and physical environment, there continually emerge a multitude of new situations to be met and new problems to be solved. Under an autocratic method of social organization while there are a limited number of interests shared by the group as a whole, yet for the most part they tend to be shared only by restricted portions of the group. More or less rigid classes arise, within which interests are quite widely shared, but which are more or less isolated from other groups and from the whole. There is a division into a governing and a subject class, a privileged and a restricted class, "superior" and "inferior," a plutocracy and a proletariat, with frequently certain more or less indefinite, unstable classes between. Group problems are met, under this method, not on the basis of the experience of the whole, but from the necessarily limited experience of those in control.

This isolation into rigid classes results in narrowing, restricting, and frequently sterilizing the life of all classes, through limiting the stimulations to which response must be made and cutting off available and significant human experience. The ex-
perience of all becomes dwarfed in meaning; opportunities for development are inequitably distributed, and the resulting human products exhibited as evidence of inherent superiority or inferiority, as the case may be. Understanding is made impossible and mutual sympathy destroyed; the primitive attitude toward those in the "ingroup" and "outgroup" is adopted; fair play, trust, loyalty, are regarded as justifiably restricted to members of the "ingroup;" toward those in the "outgroup" there is an attitude of suspicion, distrust, selfishness and dishonesty,—all of which inevitably leads to conflict and signifies an inadequate and unsuccessful attempt at organizing life so as to attain the greatest possible amount of human welfare. This method has long been tried in all phases of life; it has invariably failed in the test and is rapidly being discarded among all intelligent peoples in favor of the democratic method.

The central fact in this method is co-operation. Democracy is essentially the effective co-operation of the whole of a group in promoting the welfare of the whole. "We are coming to the new thought that society is guided—-if we may still use that word—-not by king or class, but by the infinite
action and reaction of all its members. This is a tremendously significant and far-reaching change. It is of the utmost importance that the new method have a sound basis. What then is the basis of cooperation? Is it sound?

Awareness of the consequences of acts is meaning. Each individual becomes aware of the consequences of his own gestures and acts through the reaction of others to them, aware of the consequences of their gestures and acts through his own reaction, and the consequences of the combined activities is the meaning of the whole. Men act with purpose when they combine to a definite end. The extension of meaning, which is the essence of human development, involves all three—social consciousness, self consciousness, and co-operative purposive activity. Human development takes place in these three directions.

Each individual acts on the basis of his own entire physical and social inheritance—his past experiences. This he recombines and coordinates in the light of the present social situation, thus becoming,

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2. I wish to acknowledge the aid of Prof.V.E.Helleberg in formulating this statement.
to the extent of his innovation, a leader. When he acts, through the reactions of others he becomes aware of the consequences of his specific recombination—it comes to have meaning. Thus there is an added increment to significant human experience which may aid in solving particular problems.

In giving directions to others, i.e., in any communication with another, there is a tendency to react in the same way as the other would. This is the basis of common meaning and mutual understanding which makes possible accurate co-operation. Unless both understand a thing in the same sense, they will not react in a way sufficiently similar for them to be able to co-operate.

This process goes on continuously throughout the group by means of communication. Around a point of particular human need—where there is a function to be performed—there is a gradual accumulation of significant experience. When the need develops into a crisis, there develops from the available accumulated ideas through the emulation of leaders, and the interaction of leaders and led, a conspicuous leader and public opinion, a plan of action or combination of ideas to meet the crisis. These ideas are henceforth available for incorporation into social practice.
These facts provide the sound basis for co-operation, for the democratic method. Significant experiences—meanings—on the basis of which problems may be soundly solved, are developed through interactions of persons. It is important in solving them to have available the largest stock of meanings that it is possible to have. For this reason the largest degree of interaction possible must be promoted. All available human experience—all the tremendously varying individual co-ordinations and combinations of experiences must be organized about the specific problem. This is the method and significance of democracy. This it is that renders it, in spite of all past faults and inefficiencies sounder than any other method of organization.

Aristotle in his "Politics" said that the wisdom of all is greater than the wisdom of any class. The experience of each is necessarily limited. No one person, nor any limited portion of the group, can have an universal experience. Nor can all the possible combinations be made or their consequences be developed through limited inter-actions. The experience of the whole, if it can be adequately organized, is necessarily sounder than that of any individual.
or limited portion of the whole. All must share, co-operate and interact to produce the fullest possible rounding out of experience, and to develop to the fullest extent their meanings. Thus does each share in the creative process.

No one claims that the contributions of each are equally valuable, that the experiences of each are equally significant in the solving of any particular problem, nor that any high degree of intelligent weighing of evidence can be expected immediately from each person. It is recognized that emotional appeals, that selfish viewpoints, that ignorance, do becloud and befuddle. But it is maintained that even with these limitations the contribution of each is desirable, and furthermore that the act of contributing and accepting the responsibility for that contribution is the indispensable prerequisite of a progressive development of the individual, of a growth of ability to make an effective contribution. Through this process does the individual reach his highest development.

Under this method, all of the numerous and varied interests pertaining to the group as a whole are shared by all the members of the group—with a minimum of limitations—they are made common interests
instead of class interests. There is full and free interaction between individuals and between groups. An artificial isolation, all rigid and artificial class lines are broken down. Classes based on privilege are eliminated.

"A democracy is more than a form of government, it is primarily a mode of associated living, of conjoint communicated experience. The extension in space of the numbers of individuals who participate in an interest so that each has to refer his own action to that of others, and to consider the action of others to give point and direction to his own, is equivalent to the breaking down of those barriers of class, race and national territory which kept men from perceiving the full import of their activity."¹

This is the process of the development and organization of public opinion. When it can be effectively organized, democracy exists. As soon as any customary response fails to meet a situation a crisis arises. They are constantly arising in a progressive, growing society. The conflicting elements in the situation produce emotion which in calling attention to the situation directs the effort to develop a new

response to take the place of the unsatisfactory one. In developing this new response, instead of using blind actual trial and error, whatever is available and useful of the store of past experience is utilized, thru reflection and discussion. The experience of each has value for others, being communicable. From discussion, reading, writing, and all the mechanical means of communication, the experience of all is pooled. Each individual on the basis of his own particular assimilation of social inheritance, combines and co-ordinates this common material in a somewhat different way. This is the essence of originality. It is a function of leadership. Leadership is thus more widely diffused in a democracy than elsewhere. More or less conspicuous leaders develop, each drawing followers around him and his ideas. These leaders unify and direct opinion within their groups. There is interaction between groups, carried out through leaders. Ideas are sifted and tested. Out of the give and take each individual makes up his mind, and public opinion, which is the orderly organization of available experience is formed. A new response is worked out to meet the need. It is not a process of addition but of integration, synthesis, co-ordination.
Nor need there be agreement. "The essential thing is a certain ripeness and stability of thought resulting from attention and discussion. There may be quite as much difference of opinion as there was before, but the differences now existing are comparatively intelligent and lasting. People know what they really think about the matter, and what other people think. Measures, platforms, candidates, creeds, and other symbols have been produced which serve to express and assist co-operation and to define opposition. There has come to be a relatively complete organization of thought, to which each individual or group contributes in its own peculiar way." ¹ Where the problem is one demanding definite political action on the part of the group, a more or less definite mandate must be given to the leader by the group through the vote, since the group cannot act effectively except as it is represented by an executive head. Details of administration also must be left to experts selected by the group. Public opinion can only act effectively on larger questions of general policy.

It is recognized that democracy is the most complicated and difficult of all methods of organization

to operate. Its development is slow. Due to iner-
ness and impatience men tend to refer questions to
autocrats for decision. This is a weakness which
can only with very great difficulty be overcome.

A central problem is that of keeping the
channels of communication open and free for the inter-
change of ideas. Freedom of speech and of the press---
opportunities for ideas to be freely and openly dis-
cussed, criticized and voluntarily accepted or rejected
is a prerequisite of the democratic method. Sound
news, accurate information, as a basis for the forma-
tion of a sound public opinion, is the life blood of
a democracy.¹

The successful operation of this method
involves more than securing the participation of each
of its members. Involving as it does the solution
of problems through the co-operation of all, through
the pooling of the experiences of the whole, through
synthesizing the unique contributions of each of its
members, it necessitates the fullest possible develop-
ment of the capabilities of each. "If democracy has
a moral and ideal meaning, it is that a social return
be demanded from all and that opportunity for develop-

¹ For a brief but excellent discussion of this
problem see Walter Lippman: Liberty and the
ment of distinctive capacities be afforded all."

Intellectual variations of the individual are the agencies of social progress, and in a progressive society such as a democracy is, they are an absolute prerequisite to its successful functioning.

A democracy must concern itself not alone with seeing that each of its parts contributes to the life of the whole but also with the character and quality of the contribution; or, more truly, with the character of the contributor. While there would be a modicum of value in the contribution of the ignorant slave, yet the value of the contribution is increased in proportion as the contributor is a free, intelligent, socialized individual combining to the fullest possible extent a knowledge of past human experience, an understanding of his relationship to the group, of the problems confronting it and his responsibility in solving them; and a mental attitude of initiative independence in observation, foresight of consequences and adaptability to them.

What is it that the most successful and efficient functioning of the democratic method demands in the persons of its members? It demands, and

1. Dewey, Democracy and Education. P. 142.
endeavors to secure in the first place the fullest possible development of the distinctive capacities of each. This is a process of individualization—the process of development of personality, meaning by personality the sum total of possible reactions in any given situation based on inheritance and past experience, all the common material developed through communication 1—"The best guarantee of collective efficiency and power is liberation and use of the diversity of individual capacities in initiative, planning, foresight, vigor, and endurance." 2

In the second place it demands such a recognition of community of interest that the individual identifies himself with the social whole, and willingly devotes his abilities to promoting the life of the whole. This implies socialization—the development of socialized character, meaning by character the "sum total of the predominating dispositions or tendencies," 3—the most common or the habitual response.

1. In the words of Morton Prince (The Unconscious, P. 532) "The sum total of all the biologic, innate dispositions, impulses, tendencies, appetites, and instincts of the individual and of all the acquired dispositions and tendencies acquired by experience."
That is, Democracy demands both a high type of personality and a socialized character—socialized uniqueness. The two cannot be soundly separated. Their separation in the past and present has had and has tragic consequences for social life. It cannot be expected that in conjunction with a stunted, twisted, personality—a personality undeveloped, or with a one sided development—there should be exhibited a socialized character—a wholehearted identification with the social whole, acceptance of responsibility for it, and promotion of its life.

This situation is the product of and the condemnation of the autocratic method of social organization, wherever found,—in political life, religious life or economic life. Control, direction, the thinking and planning, opportunity for exercise of initiative, will, opportunity for choice and responsibility for that choice—the things that are most vital in the development of personality, are centered in a select few. For the rest, so long as the system is maintained there remains only blind obedience, subserviency, following directions and orders from above, a narrowing of life and intelligence through a limitation of interests, opportunities, stimulations and responsibilities. They are passive instruments for carrying out the plans of the few.
As pointed out in Chapter I there has been an attempt to get away from the autocratic method of organization in political life, but it remains as the predominant method in economic life. And so important a part does economic activity play in the life of most persons that its blighting effect is felt throughout the social structure. The task of the present century is to make this extension of the democratic method to this phase of life.

We shall point out in Chapter III some of the changes which the application of this method of organization will imply. Here we are concerned with tracing more in detail the process and some of the conditions most favorable to the development of personality and socialized character—keeping in mind, what has already been stated negatively, that the two go together, that it is in the well-rounded, fully developed personality that socialized character may be expected.

It is important, in the first place, to keep in mind that personality is an achievement, a product, not something given. This has not been adequately recognized in the past. The usual as-
Assumption is that the individual is primary and independent—that self-consciousness and mind develop solely from within, that individuality is largely determined at and by birth, and that while development may be affected to some extent by social arrangements yet their effect is something external and secondary.

1. Because of the desirability of using the term "individual" I shall henceforth in discussion use the term "individuality" as co-ordinate with "personality." It is so used by most writers. I am aware that a distinction, desirable from many points of view, has been made by some writers (See Miss Richmond: What Is Social Case Work, Pp. 91-92.) The distinction is not introduced here because it is felt that it would confuse more than it would clarify.

2. Such seems to be the assumption of many of the "intelligence testers." They assume that intellectual ability is practically fixed at birth—determined by the germ-plasm, and can be only slightly modified by environmental conditions—training and education. This being true, it is susceptible of definite measurement in terms of mental age.

A criticism of this position is unnecessary here. (See the series of six articles by Walter Lippman in The New Republic; Oct. 25, Nov. 1, Nov. 8, Nov. 15, Nov. 22, Nov. 29, 1922. Also articles by John Dewey in The New Republic, Dec. 6 and Dec. 13, 1922) Our description here given of the process of the development of the individual would indicate our belief, that, at least with present methods of testing and the complete neglect of the period of early infancy, such separation of the innate and the acquired is impossible.

Various proposals are being made for the practical application of the results of the present tests that are fraught with grave danger for democracy. Such is the proposal to limit admission to higher institutions of learning on the basis of intelligence tests.
Society was formed, according to this theory, through the coming together of independent human beings and the establishment of relations through a contract of some sort. The ramifications of this assumption are far-reaching and find expression in practically every phase of present day life, such as literature, religion, economics and psychology. When the American republic was founded this idea prevailed and we still have a natural rights democracy based on the

(Footnote continued from page 74)

Another such proposal is that of L. F. Lorree, president of the Delaware and Hudson railroad, quoted in the Kansas City Star, Dec. 17, 1922, who speaking at a dinner of Banker's Forum, American Institute of Banking, at the Hotel Astor in New York city [microform statements (referring to the psychological efficiency tests)] "somebody represents_x--" who this proposed a selective suffrage, graduated according to the voter's intelligence and designed to give the 30% most intelligent a predominating influence in the electorate. No doubt individuals do differ in their abilities and capacities. Possibly 30% are best fitted to rule, but certainly with the present inequalities of educational opportunities and in the present stage of mental testing we have no sound basis for determining who constitute this thirty per cent.
conception of the independent individual, a viewpoint which was crystallized in the Constitution and the Declaration of Independence.

A sounder viewpoint, it seems to me, is one which recognizes the complete interdependence of the two, which sees in the human individual and in human society merely two aspects of the same whole. We cannot conceive of either as separate or separable entities existing apart from the other but must recognize that the existence of either is dependent on their interrelation.

"Individuality, in a social and moral sense, is something to be wrought out." But it can be wrought out only in interaction with others in the group. The human individual never develops in isolation. He is the product of all his interactions with other individuals in the group. He is the group at one point. He is both a social factor and a social

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Cooley: Social Organization, P. 5. "Self and society are twin-born; we know one as immediately as we know the other and the notion of a separate and independent ego is an illusion."

product. That a life is human necessarily implies that it is shared—a life of mutual interaction and co-operation.

The individual starts in life with instinctive tendencies to action—tendencies coming to him from his racial past. These tendencies are not in themselves adequate to adjust the individual to his complex environment. They require recombination, modification, differentiation into habits. One of their most salient characteristics is their modifiability. The individual has also capacities varying as between individuals and having, within certain rough and uncertain limits, very great possibilities of development—possibilities not yet adequately realized in any individual, whether feeble minded or normal, under our present knowledge of developmental conditions and present methods of education, formal and informal. That is, the actual product, e.g., the ability of any particular individual at a particular time cannot be assumed to be the best that could have been developed.

"We shall never have any light upon what are the limits to intelligence set by our innate qualities till we have immensely modified our scheme of getting and giving experience, of education. Barring complete imbecility it is safe to say that the
most limited member of the populace has potentialities which do not now reveal themselves and which will not reveal themselves until we convert education by and for mediocrity into an education by and for individuality.¹

In the physical make up of the individual there are all sorts of possible variations in soundness or unsoundness, weakness of strength, perfection or imperfection. Any one or any number of his organs may function well or ill, and these variations are far reaching in their effect on his subsequent development.

In the development of the individual the old question of heredity versus environment is not raised,—at least, not in its old form. Both are recognized as indispensable—each in its place. The hereditary physical basis is, of course, the sine qua non of any growth but it is merely the basis.

The individual infant enters at birth into a social life, a life of interaction with other beings, and in interaction with them develops all of his peculiarly human qualities,—self and social consciousness, consciousness of meaning, language—develops

personality and character. The specific process involves the development of habitual responses which recombine and differentiate the instinctive tendencies in which they originate. Through the fact that no two individuals have identically the same inherited physical basis, a difference reduced to the minimum in the case of "identical" twins, and that no two individuals can possibly have identically the same social experiences, there emerge the individual differences so vitally important in any growing social life.

Now these groups in which the human infant enters have been long in existence—have survived under the exigencies of many and varied and ever more complex environments and in the course of that existence, and in response to the varied environment have developed ways of acting and thinking which are preserved as folk ways, mores, customs, traditions, and an infinite variety of institutions, in short as the entire content of social heredity. All of these things go to make up the environment of any particular infant, and to them he must of necessity adjust himself. The habitual responses he develops are adjusted through social approval and disapproval, pain and
pleasure, success and failure to these conditions. Certain types of actions, whether avoiding surreptitious visits to the jam pot or bending every effort to the selfish accumulation of money, meet social approval, bring success and pleasure, are repeated, and become habitual. Others bring disapproval and pain, and are avoided. These habitual trains of action are the essence of character. It is essentially a process of trial and error.

Through myriad interactions, i.e., tentative activities (especially evident in the incessant movement of the child) and the social responses they evoke, every phase of personality and character are given direction and form.

Perhaps the most important phase of this growth is the progressive development of a sense of responsibility for acts. The child must be given increasing opportunities to make choices, then within reasonable limits held responsible for the consequences of these choices. Through the responses of others he becomes aware of what these consequences are, i.e., their specific meanings, and in the future has this added basis upon which to choose. Thus there is a progressive development of the ability to make sound
choices. Repeated choices are built into habit and character is formed. But it is highly important to remember that this ability develops only through exercise, i.e., through the actual practice of making choices and it could not possibly develop without that opportunity. Responsibility develops only where there is responsibility to bear.

Personality is a result of growth; and like every other growth, if it is to be sound, the conditions under which it grows must be made right. The picture of genius, moral or intellectual, rising solely through inborn qualities, above a sordid, handicapping environment, may be an attractive one, but it is scarcely true to fact. It can be shown in many cases and it is safe to say that in every case some incident or circumstance or a fortunate combination of circumstances unrecorded, perhaps, in history, or even in biography because regarded as of little importance, has guided the course of development,---has been a necessary link in the chain which has led to success, ---a link which, lacking in the life of another individual, has led to failure.

This fact of development through social activity applies not only to the child---it applies
to the adult as well. He must have opportunity for active participation in the common affairs of life. This is well stated by Dewey, in the following words:

"Personality must be educated, and personality cannot be educated by confining its operations to technical and specialized things, or to the less important relationships of life. Full education comes only when there is a responsible share on the part of each person, in proportion to capacity, in shaping the aims and policies of the social groups to which he belongs. This fact fixes the significance of democracy . . . . It is but a name for the fact that human nature is developed only when its elements take part in directing things which are common, things for the sake of which men and women form groups—families, industrial companies, governments, churches, scientific associations, etc. The principle holds as much for one form of association, say in industry and commerce, as it does in government."¹

Economic activity is one of the most "important relationships of life." So important a part does it play in the lives of most people that it is

¹ Dewey: Reconstruction in Philosophy. P. 209.
highly important that each have in this relationship "a responsible share in shaping the aims and policies"—"part in directing things which are common." To have no part in these things to accept from another the purposes which control our conduct—that, as Plato says, is for slaves, not for free men. The individual must feel that he is a vital part of the whole, that his contributions, however small, are significant in the life of the whole. There must be opportunity for the expression of initiative, planning—opportunity for an understanding of the problems confronting the group and opportunity to contribute and share in the benefit of their solution. Social organization must be such that the choices of the individual form a constituent part of the choices of the group and there must be that degree of freedom and independence for the individual which will make possible a real choice. This freedom must be more than a verbal, a legal or a metaphysical one. Its basis is definitely economic—any so-called freedom is unreal which does not have this as a basis. This is one vital reason why there should be a more equitable distribution of property.
The very great importance in the development of the individual of the social heredity, ---institutions, ideas, etc. of the group under which he develops, is evident. The practical implication of viewing the development of personality as a continuing social process is a necessary emphasis upon social arrangements as the only means of its development or change.

"As we learn that man is altogether social and never seen truly except in connection with his fellows, we fix our attention more and more on group conditions as the source for better or worse of personal character, and come to feel that we must work on the individual through the web of relations in which he actually lives."¹

"Now it is true that social arrangements, laws, institutions are made for man, rather than that man is made for them; that they are means and agencies of human welfare and progress. But they are not means for obtaining something for individuals, not even happiness. They are means of creating individuals."²

"... When selfhood is perceived to be an active process it is also seen that social modificatio-

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tions are the only means of the creation of changed personalities. Institutions are viewed in their educative effect: with reference to the type of individuals they foster.\textsuperscript{1}

All human institutions and societies then are tested by the kind of individuals they tend to develop. The criterion of the worth of any association, grouping institution is this: Does it promote human welfare, not in general, but in particular, i.e., does it promote the development of individual personality and the highest type of socialized character?

Judged by this criterion the present economic and industrial system, as pointed out in Chapter I, is very deficient in that it has quite largely ignored the human element in industry, and conditions have developed which for large masses of workers, prevents their fullest development.

Democracy does not imply absolute equality,—the egalitarianism so strongly condemned by Faguet. But it does imply equality of opportunity for development and opportunity for each individual to make his contribution to the social whole. It does not assure

\textsuperscript{1} Dewey: Philosophy in Reconstruction, P. 196.
nor aim for equality of product but must assure equality of opportunity for development. "It (egalitarianism) forgets that democratic institutions are well worth striving for, while equality in character or in those values that we associate with literature, science, or art is not only utterly futile, but is exactly what every progressive society must avoid. Social progress is only made possible by a diversity of talents."¹ And one must add, their fullest possible development and responsible use. Uniqueness, not equality of personal development and achievement, is the aim.

The view of democracy as the "cult of incompetence" is then erroneous. The endeavor of democracy is to render each individual, instead of a few selected individuals, as competent as possible. Through the breaking down of barriers to intercourse, the universal interaction and sharing of experience and the enormously greater diversity of stimuli to which response is made necessary, the possibilities of development are infinitely increased. Democracy renders necessary and makes possible a greater degree of competence on the part of each than does any other method of social organization.

¹. Mecklin: Introduction to Social Ethics, P. 51.
Our whole discussion has pointed to the fundamental importance of education in a democratic society. We have discussed democracy as the organization of public opinion. We have shown the importance of the highest possible development of the capacities of each individual and the development of a social attitude of identification with the group. These two processes, individualization and socialization, are both functions of the educational system and pose problems which urgently demand solution. The present tendency to standardize and mechanize the process of education will never meet the need, being as it is directly contrary to the educational needs of a democracy.

But there is another side to the situation. Democracy must provide the fullest possible opportunity for the development of the capacities of its members but it must demand also a social return from the individual so developed. That is, in return for rights and opportunities there must be a sense of identification with the group, a social utilization of the abilities developed. Rights and duties must go together.

It is held by many that this is where democracy will fail—where it is failing. It is claimed
that the selfish interest of the individual, inherent in human nature, will always effectively prevent his developing an adequate sense of identification with any large group with whom he cannot come in close personal contact.

It must be admitted that we do fall woefully short of the ideal. Most individuals do identify themselves with one or more family groups. A large portion also identify themselves quite closely with one or more minor groups—a church, a social club, a fraternal order, the I.W.W., a gang of thieves, the Ku Klux Klan. To a much less extent, and that principally during times of national conflict when the common interests of the individual citizen with the nation are vivified through emotional portrayal, do men identify themselves with the national group. Nevertheless the prevalent attitude is one of self seeking, of seeking the interest of the individual or of a particular limited group, regardless of the interests of, or more often at the expense of other groups and of the whole.

The policies and practices of the railroad owners and directors and mine owners and operators cannot, by any stretch of the imagination, be conceived as primarily formulated in the interests of the whole
community. No more can the policies of the Shopmen's Union or of the United Mine Workers of America, though there are mitigating facts in the two latter cases, viz., the fact that trade union organization and many of their policies have been forced upon laboring classes by the oppression of the employing classes and the comparative indifference of the general public (the whole group) to the inequalities of their struggle to secure the decenties of life. They have been compelled to become primarily fighting organizations, fighting for wages, hours, and conditions of labor that might make possible a human existence. The power that has been gained has very often not been used to promote productive efficiency and the interests of the whole group but to further the interests of the particular union or class. Their ethical standards have, in other words, been taken over from their opponents, the capitalist class. Furthermore, they have in most cases lacked opportunities for a broader cultural training which might develop in them the social outlook as applied to the larger group. This self-centered attitude is not confined alone to labor unions nor to capitalists. Unfortunately, too large a percentage of the general public have identically
the same attitude. The average individual of that public is more interested that industrial peace be maintained and his supply of goods and services not be interrupted, than he is in seeing that industrial justice is secured.

It will probably always be true that there will be a closer identification of the individual with the group with which he comes in immediate personal contact,—the face-to-face groups. The face-to-face contact has certain intrinsic advantages over any other. There will also possibly always be a certain amount of conflict of interests, between lesser groups within the whole. But these facts do not by any means preclude the possibility of the development of the sense of identification and broader social utilization of abilities of which we speak.

Its inadequate development in the past and at present is due partially to the lacking in means of communication, a lack which recent developments is doing much to supply. Further development in radio, wireless photography and talking moving pictures will make possible a closer approximation to face to face contacts on a world-wide scale--a fact of tremendous import.
It is due even more to the atomic, separate, individualistic viewpoint, based, as pointed out before, on a false psychology, which sets individual against individual, group against group, always emphasizing the competitive and conflict side of the life process to the relative neglect of the equally if not more important, cooperative phase.

A truer understanding of the relationship of the individual and the group, based on a sound social psychology will do much to remedy the situation. When it is recognized that the individual is a product of the groups with which he comes in contact—that his development comes through interaction with others in the group—it is seen that his welfare as a social individual is identical with that of these groups. There is what Cooley terms a "spiritual identification of the member with the whole." True self-interest must be concerned with the group as a whole—must identify itself with the whole of which it is a part. Only in promoting the life of the whole can his own life be best served and lived. But the welfare of the whole has no existence apart from the welfare of each one of its constituent parts. Hence each individual must be interested in the wel-
fare of each other individual. Service and loyalty to that group is service and loyalty to himself.

From this viewpoint life is seen as an interrelated, interacting, interpermeating whole in which the broader interests of all individuals and groups are bound up together. Self-interest is not abolished—it can never be—but is enlarged, expanded, identified with the social group which is an indispensable part of the self. As Croly says, "A democracy differs from other forms of government in that it does not and cannot distinguish the welfare of state from the welfare of its individual citizens."¹

This viewpoint engenders a spirit of toleration, fair play, willingness to work with the other fellow in the solution of the common problems. It implies adopting the attitude toward larger groups that is taken toward members of the intimate face to face group. It implies identification with larger and larger groups. "A right democracy is simply the application on a large scale, of principles which are universally felt to be right as applied to a small group—principles of free cooperation motived by a common spirit which each serves according to his capacity."²

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¹ Croly: Progressive Democracy, p. 65.
² Cooley: Social Organization, p. 119.
This is an attitude that has long been spreading throughout the world, though handicapped, as said before, by difficulties of communication and by the individualistic viewpoint. "The central part of history, from a psychological point of view, may be said to be the gradual enlargement of social consciousness and rational cooperation."¹

It will be said that the conception of democracy here outlined is idealistic, and most of it non-existent in practice. Granted. But we maintain that it is a consistent ideal. The fact that, as a whole, it does not exist in practice is not criticism of its soundness as a theory, nor is it a valid argument against its attainability. Increasingly it is becoming evident that the remedy for the failures of democracy is more democracy. It is at once admitted that the functioning of our present democracy is very ineffective and unsatisfactory but this is no argument against democracy as such. We must remember that we are only in the early stages of experimentation with democracy on a large scale and that our present conceptions are inadequate. "A new type of

democracy is required as the basis of social co-operation and organization, one based, not on a metaphysical theory of natural rights but on a new sense of personal worth and personal need, "1—and as we have pointed out, on a more adequate understanding of the nature of personality and the conditions of its development. The conditions outlined in Chapter I of this thesis are sufficient alone to account for a large portion of the inadequacies and failures of present day democracy. One of the principal reasons for the inadequacies of democracy as it exists at the present time, i. e., for the fact that the ideal is not more fully realized in practice, is the fact that its application has been restricted too exclusively to one phase of social organization, the political. And the political, while in some ways the most comprehensive of all phases of organization, is not all inclusive, at least under the present construction of the term political. The activity through which he makes his living, the conditions under which that activity is carried on, the opportunity which that activity offers for the

development and expression of his personality—these things for the great mass of men everywhere are just as fundamental and far-reaching, and in some ways more intimate, than is political activity. And for the great majority at the present time, the problem of its proper organization is far more pressing.

The democratic ideal is an ever progressive growth. A necessary step in its fuller realization, one that is necessary before it can become fully effective in political activity, is its application to other phases of social organization, particularly the economic. 1

In the next chapter we shall discuss briefly some of the implications of such a step.

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1. This is true, also, of course, of the religious. In this field Mr. Royal G. Hall: "The Religious Implications of Democracy" has made a most suggestive and stimulating study.
Chapter III.

IMPLICATIONS AND EXPERIMENTS.
The economic and industrial system must supply the goods and services needed by the group as a whole. In this task the greatest resource is the human resource. As President Lowell has said, "Let us remember that after all the greatest asset of a community is not its mines, or its soil, but its men, and that it is for the interest of the whole community that every man should be developed to the utmost point to which he can be developed."¹ Only through the co-operation of laborers can industry function at all; only through their willing and whole hearted cooperation can it function efficiently.

The industrial system must, therefore, be so organized as to promote this co-operation.

The demands of workers is coming more and more to center around the securing of a fuller opportunity to develop and express their personalities in their work, and to share in determining questions of common concern.

Through the expansion of the means of communication, the public school system, the educational

activities of labor organizations, the complex organization of modern life, etc., there has been a steady growth of intelligence among the masses of the people, a growth of knowledge in general, and knowledge of the abuses and injustices of the present economic system in particular, a growth of consciousness of individual human worth, that has gone too far even to permit either a return to slavery or the continuation of the present autocratic methods of handling labor. This growth was very greatly strengthened during the war through the repeated stressing of the importance and worth of each individual worker. Labor learned a lesson, which, in spite of the after-war disillusionment, they refuse to forget entirely. Labor can no longer be bribed, cajoled, threatened, or forced to work efficiently when and where it is not willing so to work. Even the fear of the gaunt specter of want, even starvation of the laborer's family, which is the most powerful of all the incentives used to force men to work, will not produce efficient work. A new basis must be developed, a basis that recognizes the humanity of the laborer, that recognizes in him not a mere means of wealth production, not a mere machine which, through technical specialization and systematization will develop
the inert, automatic efficiency of the machine, but a living, human being with intrinsic spiritual worth, with a personality which has claims on its own account to the fullest possible development and which will fill a place in the complex industrial system, will co-operate whole heartedly in production, only as it is recognized and developed. "Today men are refusing any longer to believe that they were made for industry and are asserting vehemently that industry was made for all men, and must adjust itself to, and comply with human needs."\(^1\)

This, it seems to me, is the key to the present industrial problem. In it, rather than in charges of Bolshevism, Syndicalism, or in the assumption of innately selfish human nature, will be found the underlying explanation of the increasingly widespread and threatening industrial and social unrest. Or it would be truer to fact to say that in it is to be found the explanation of the existence of Syndicalism, Socialism, and other ideas which, however much perverted by the old spirit of self-seeking taken over from the present economic system, are at bottom attempts to secure a recognition of the

\(^1\) Cole: Chaos and Order in Industry, P. 11.
humanity of the proletariat and a better functioning of industry in the interests of humanity as a whole. And we had best recognize frankly that these movements, some of which with their revolutionary methods and fixed, rigid programs, constitute a real menace to social stability and to sound social progress, and will continue to exist and to grow until this recognition is accorded and the industrial reorganization is accomplished. The process of this reorganization is highly important. Let us trust that it will be evolutionary.

There is abundant evidence of the growth of this viewpoint, both among laborers and among employers. One of the clearest statements from employers is that formulated by the Business Men's Group of the Society for Ethical Culture. This group of men, nearly all of whom are engaged in large industries or owners of businesses of their own, in the endeavor to get at the motives of those engaged in business and commerce spent two years in discussion, research, and experimentation in working out new principles in their own industries. At the end of that time they adopted a Program for Principles in Industry in which appear these five principles:
1. There is a spiritual worth in every human being which industry must recognize.

2. Human exploitation is immoral and socially destructive.

3. The highest service which any calling can render is the development of personality in all those who are affected by it.

4. Service to the community and not profit seeking should be the main purpose of business and industry.

5. There is a creative impulse in the mass of men sufficient to carry on industry without sole reliance upon the pecuniary motive; business and industry can call forth the same constructive interests that play such an important part in the practices of the sciences and the arts.¹

The new basis in industrial and economic life will be found in the democratic method of organization, which, as was pointed out in Chapter II, involves the fullest possible co-operation of each in promoting the life of the whole, thus necessitating the highest possible development of personality and socialized character in its members.

This will involve many fundamental and far reaching modifications in the system, the details of which can only be worked out after years of co-operative experimental endeavor.

We shall in this chapter suggest a few of the logical implications of the tentative criterion we have set up and point out some of the concrete developments which tend to bear out their validity.

This method implies, as we have said, the elimination of the conception of the individual as an independent unit and the substitution of the conception of the social individual—the individual as a social product. It involves thinking, planning and acting in terms of groups, since as we have pointed out, group life is the source of individual development. This fact must alter the prevailing conception of motive in industrial life.

"By the mere force of logic we unanimously agreed that the profit making motive had to be dethroned . . . . . The very conception of profit must undergo a change as we go along and realize that the establishment of proper human relations, the distribution of responsibilities and participation in the proceeds of industry and commerce is conducive
to greater efficiency, greater stability and greater service. When the well-being of a community and not of an individual is the goal of our labors, when we have become accustomed to think and act as groups and not as individuals, then the profit motive as understood today will have relegated itself to the proper place, and made room for a conception of this term infinitely higher and nobler.  

It is maintained by economists that the making of profits is the sole motive that will induce the owners of capital to utilize their capital in production; that the payment of wages is the sole means of inducing men to work—that personal financial reward is practically the sole motive force in industry—as the mainspring of all economic activity. And it must be frankly admitted that under the system as it now exists with all the great mass of beliefs, attitudes, standards of value, methods of evaluation, etc., which have grown up with the industrial system, these motives are the dominant ones. The capitalist usually does not invest his money except where there

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is a possibility of the biggest profit; the laborer usually does not labor unless he is paid a monetary wage.

But this must not be converted into the assumption that personal financial reward—profits or wages—because it is the prevalent motive, is the only possible motive to industrial activity. The assumption that self-interest is the sole motive actuating mankind contains a measure of truth, but rests on a misconception of the individual. It rests on the conception of the individual as an independent, self-centered ego. We criticized this conception in Chapter II and pointed out the true nature of individuality, and nature of self interest—that self interest cannot be confined to the biological individual but is identified with the social whole in which the human individual develops and of which he is a part.

Can the individual, the average man and woman, be brought to recognize this broader interest, to identify himself with the social whole? It is part of our thesis here that he can, not directly, but through the mediation of other expanding groups.
But the question of motives demands further consideration. An excellent analysis of this question has been made by John Dewey in his recent book, "Human Nature and Conduct." We shall briefly summarize his analysis here. He shows that it is essentially a question of human nature and its alterability. It is asserted by many that human nature is unalterable because based on definite native instincts which are not subject to change. Hence, really important changes in human institutions are like-wise impossible. Dewey points out that the instincts are not fixed and certain in their operation—that they are highly susceptible to modification through use, into habits,—"Subject to educative direction" and that their modification in the individual takes place and is directed by their interaction with customs and habits as embodied in institutions, which have been "shaped by objective conditions" and are extremely slow and difficult of modification. Thus slavery, which Aristotle conceived to be a psychological necessity is merely a social state. So with feudal serfdom, war, and the

present economic regime. They are "social patterns woven out of the stuff of instinctive activities. Native human nature supplies the raw materials, but custom furnishes the machinery and the designs. War would not be possible, without anger, pugnacity, rivalry, self display, and such like native tendencies. Activity inheres in them and will persist under every condition of life," they cannot be eradicated . . . . "But to fancy that they must eventuate in war is as if a savage were to believe that because he uses fibers having fixed natural properties in order to weave baskets, therefore his immemorial tribal patterns are also natural necessities and immutable forms." Histories, by their fragmentary character fail to show the great diversity of institutional forms and customs which may grow out of the same instinctive tendencies. A war cannot be accounted for by pugnacity so the existing economic system cannot be accounted for by an acquisitive instinct which demands personal profit as the sole incentive to activity.

To be sure, there is possessive activity on the part of all, growing out of an original tendency. "My worldly goods, my good name, my friends, my honor
and a home all depend upon a possessive tendency. The need for appropriation has had to be satisfied; but only a calloused imagination fancies that the institution of private property as it exists A. D. 1921 is the sole, or the indispensable means of its realization. Every gallant life is an experiment in different ways of fulfilling it. It expends itself in predatory aggression, in forming friendships, in seeking fame, in literary creation, in scientific production. In the face of this elasticity, it requires an arrogant ignorance to take the existing complex system of stocks and bonds, of wills and inheritance, a system supported at every point by manifold legal and political arrangements, and treat it as the sole legitimate and baptized child of an instinct of appropriation."

Defenders of the necessity of the present economic institutions as manifestations of human nature assume that man will do nothing, no socially valuable work at least, without a financial reward, that is, that man is a passive being who requires some external force to cause him to act.

But man is an active being, "he can't help acting. In every fundamental sense it is false that
a man requires a motive to make him do something. To a healthy man, inaction is the greatest of woes. . . . . It is absurd to ask what induces a man to activity, generally speaking. . . . . But when we want to get him to act in this specific way rather than in that, when we want to direct his activity, that is to say, in a specified channel, then the question of motive is pertinent. A motive is then that element in the total complex of a man's activity which, if it can be sufficiently stimulated, will result in an act having specified consequences. And part of the process of intensifying, (or reducing) certain elements in the total activity and thus regulating actual consequences is to impute these elements to a person as his actuating motives . . . An element in an act viewed as a tendency to produce such and such consequences is a motive. A motive does not exist prior to an act and produce it. It is an act plus a judgment upon some element of it, the judgment being made in the light of the consequences of the act."

As pointed out in Chapter II, the development of the child is guided by the approvals and disapprovals of the group. In order to guide ac-
tivity the group attributes natural activity to certain motives which are approved or condemned as desirable or undesirable. The individual in time comes to attribute these same qualities to his acts, thinks of his acts in terms of the social attitude toward them—in terms of their consequences and himself guides them. That is, motives are socially conditioned in their development and may be changed by changed social attitudes. Furthermore, motives are not of a single type, but are "as numerous as original impulsive activities multiplied by the diversified consequences they produce as they operate under diverse conditions."

What is the specific implication of this in economic activity? What are the social conditions which have caused the motive of personal monetary gain in profits or wages to be stressed practically to the exclusion of all other motives?

We cannot here take up the historic development of the profit motive. It is well traced in Sombart: The Quintessence of Capitalism. It must suffice for our purpose here to recall what was said in Chapter I as to the development of the self-centered, self-seeking, individualistic spirit and the assump-
tion that social interest was best served by allowing the fullest freedom of individual initiative in the development of resources and business undertakings generally, that as an incentive to great undertakings and to offset the risks involved, there must be opportunity for great profits. That is, in order to secure a particular type of activity, the investment of lives and fortunes in undertakings involving risk—society approved of the taking of profits, approved of it as an incentive to a desirable form of activity. As we have said, it is the primary motive underlying the economic system today. But it must be kept in mind that the reason it is so strong is because it is the one we appeal to—-it is the one around which our economic life is organized.

So deeply ingrained has this attitude become in our customs, traditions, institutions, and ways of thinking, that it has come to be regarded as practically the only possible motive. But there are countless other human impulses than the possessive impulse, and changed social approvals can (in time) develop these into other motives just as powerful. In the words of John Stuart Mill, "The deep-rooted selfishness which forms the general character of
existing society is so deeply rooted only because the whole course of existing institutions tends to foster it."

The basis of such a changed social approval and thus of changed motives, must be a recognition of the inadequacy and failure of the motive of private profit. There is increasing evidence of the failure of this motive to measure up to the needs of present day economic and social life, whatever may have been its value at an earlier day.

That this failure is being increasingly recognized is evidenced by the multiplication of attempts to remove activities from the field of profit. As Lippman says, "Endowment, subsidy, state aid, endless varieties of consumers' and producers' co-operatives; public enterprise—the they have been devised to save the theater, to save science and invention, education and journalism, the market basket and public utilities from the life-sapping direction of the commercialist. What is the meaning of these protean efforts to supersede the profiteer if not that his motive produces results hostile to use, and

1. Quoted in The Church and Industrial Reconstruction. P. 185.
that he is a usurper where the craftsman, the inventor and the industrial statesman should govern?"  

The profit motive is not a simple thing, but a complex of many desires. The purpose back of the desire for personal financial gain is not love of money for its own sake. Such a miserly desire is not unknown but is relatively infrequent.

There is in the first place the natural and entirely valid desire to provide the material basis for a good life. This need is the basis of the entire economic life. It is in the endeavor to meet this need that the present economic system has been developed, and it is a severe condemnation of that system that for great masses of people it fails to meet this need.

The emphasis of this motive to the relative exclusion of all others, in conjunction with an individualistic outlook and the conception of natural rights inhering in property, leading to autocratic organization of industry, has led to its perversion in the interests of a comparative few. One of the pressing demands that is leading to an attempted

reorganization of the industrial system is this demand that it shall provide in more equitable degree, for all, the material basis for a good life. Thus in Labor and the New Social Order, A Draft Report on Reconstruction issued by the Labour Party in England, one of the four pillars on which they propose to reconstruct society is the universal enforcement of the national minimum. "The first principle of the Labour Party is the securing to every member of the community, in good times and bad alike (and not only to the strong and able, the well born and fortunate), of all the requisites of healthy life and worthy citizenship."

"There must be first a production of necessaries sufficient to meet universal requirements; and, secondly, an economic system must be devised to insure their practically automatic and universal distribution; this having been achieved, it may be followed to whatever extent may prove desirable by the manufacture of articles having a more limited range of usefulness. All financial questions are quite beside the point; if finance cannot meet this simple proposition, then finance fails and will be replaced."

It is recognized that there is no definite point at which the needs of life can be said to be permanently met. Beyond meeting the requirements of a moderate or even high standard of living there are endless vistas of increasing wants and needs which it is the desire of all to satisfy. It is evident, however, that there is an approximate limit beyond which money cannot be used to meet valid needs or wants. A point beyond which the desire to accumulate money passes over into a desire for ostentatious display and provocation of the envy of those less fortunate, the desire to attain an artificial social position based on wealth which because of its production of undemocratic class distinctions in anti-social and unsound; or the desire for power, authority, control over fellow men which on any basis of mere accumulated wealth is pre-eminently undemocratic, and anti-social. Control to be sound must be control, freely granted and exercised, in the performance of function. Accumulated wealth gives no such basis. In this is found the perversion of the desire for profit.

Now it is evident that the impulse to manifest ability, to accomplish things to succeed in
in life, is a highly desirable one. Under the present system these things are identified with financial success,---the accumulation of wealth. But this is not inherently so. It is a matter of social standards of success. And while moralizing will not change these standards the growing demands of the submerged masses of people who have suffered the handicaps of the old order; the demands of an increasingly democratic society, will change them, and is changing them.

Out of these desirable elements, mentioned above, in the old motive, is being realized the demand for new motives. New ways of fulfilling impulses are being evolved, ways that do not do violence to the democratic demand for equality of opportunity, and that recognize the interrelation and interdependence of all the members of the group. A truly democratic society will develop motives and an organization that will secure to each of its members the fullest opportunities, i. e., the best life possible, and will secure this through the cooperation of all.

Only two of these motives, the service motive and the creative will be discussed further, and that only very briefly. These two are not to be
thought of as isolated and separate. In fact they are very intimately related. Neither the service motive nor the creative motive are new. As pointed out elsewhere, the service motive formerly played a more important part than it does at present in the economic system. It has unfortunately been subordinated to other motives. The creative motive has always been an important element in at least certain phases of that system. The captain of industry, the entrepreneur, has been and is interested in creative activity as such as well as in making profits. Thus Charles Schwab says, "I work just for the pleasure I find in work, the satisfaction there is in developing things, in creating."¹ But there are other types of business men who have little interest in it. It has been increasingly subordinated to other motives.

The best illustration of both motives in the past and present is found in the professions, which have been defined, as trades organized for the performance of function.² A large proportion of doctors, teachers, ministers, scientific investigators,

¹ Quoted in Edie: Principles of the New Economics, P. 8.
² Tawney: The Acquisitive Society, P. 92.
engineers, including inventors, have been so interested in doing a particular piece of work because of its intrinsic interest, or because of its social value, or both, that personal financial gains have played a secondary and relatively unimportant part.

In general, this statement is true, I think, in spite of numerous exceptions and in spite of a counter tendency in some of the professions. It is not contradicted by the recent demands of teachers and ministers for higher salaries. In fact, one large element in that demand is the desire thereby to render their work more efficient.

It is quite commonly assumed that the service motive---the motive of free, willing, whole hearted, financially unrewarded co-operation in promoting group welfare is too high to be generally practicable. This remains to be proven. Certainly it cannot be assumed until it is consistently and fairly tried and until it is really appealed to, at least as fully as the private profit motive has been, and conditions made favorable for its development.

These conditions involve a recognition by the individual of the fundamental identity of interests of all---the sense of identification with
the whole of which we have spoken. "We do not help the individual to feel that he is contributing, in his own way, to an interesting whole. It seems that for this, as for so many other reasons, we must aim at a greater sense of solidarity, to make the common life more real and attractive, and the individual more conscious of his part in it."\textsuperscript{1} The individual must be 'immersed in a group spirit.'

That such a recognition is growing is evidenced by the draft report on reconstruction referred to above: "We are members, one of another. No man liveth to himself alone. If any, even the humblest, is made to suffer, the whole community and every one of us, whether or not we recognize the fact, is thereby injured."\textsuperscript{2}

The development of this recognition and spirit of identity is, in part, a function of the educational system, and one which it is inadequately performed at the present time. The educational system from kindergarten to university reflects too fully in its content, the prevailing social attitude

\begin{itemize}
  \item \textsuperscript{2} Labor and the New Social Order. Draft report on Reconstruction of the English Labor Party.
\end{itemize}
of self seeking. One of the most needed changes in the content of education is this emphasis upon the social viewpoint.¹ A sound viewpoint is the only sound basis for the right kind of activity. Theory and practice are interdependent. The results in social welfare of the training of a generation of men and women to this viewpoint cannot be estimated but it would certainly be tremendous.

The development of this group spirit is also as Cobbey points out, dependent on a sense of security—"the feeling that there is a larger and more enduring life surrounding, appreciating, upholding the individual, and guaranteeing that his efforts and sacrifice will not be in vain."² Especially important too, is the feeling of economic security, which as we pointed out in Chapter I, is, under the present economic system rendered impossible for a large portion of the population. To obtain this security the present system of profits is not necessary; in fact it is necessary that it be modified or abolished in its present form, but it is necessary that each should receive recompense for service rendered and should be enabled in some way to make

¹ See Dewey: Democracy and Education for one of the best discussions of this whole problem that has been offered.
² Social Process. P. 139.
provisions against the emergencies of life, including old age.

Fundamental to the effective operation of the service motive is the entire social attitude, which, as pointed out above, can by its approvals and disapprovals make of the social impulse a real, vital, compelling motive, or render it ineffective and lacking power. Social attitudes have been known to change in the past; and it is not impossible that the present social attitude may change.

Economic activity is not inherently different from other activity. It has been proposed to make industry a profession.¹ In fact, there is a distinct tendency in this direction in certain phases of industry. The real managers of industry are to an increasing extent becoming salaried men for whom the making of personal profits is not the main interest. Business administration is tending more and more to become a profession demanding technical training.

While this is probably a desirable tendency, it does not in itself imply the elimination

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¹ See Tawney: The Acquisitive Society, Chapter VII.
of the profit motive from industry. That will necessi-
sitate a more fundamental reorganization of social
attitude and system. But it does indicate that
the highest order of ability can be and is being
enlisted in industrial as well as in other lines of
activity without the necessity of the prospect of
limitless profit as a reward.

"Engineers, administrators, organizers, inventors, are a living demonstration of the virility
and vigor of men acting under a high degree of con-
structive and creative motivation and there seems no
doubt that executives and managers of business es-
tablishments are undergoing a gradual evolution of a
similar sort in their motivation."¹

For more specific illustrations it is only
necessary to mention Goethals, Gorgas, Hoover and
Pasteur. "What men really want is not so much to
acquire wealth as to find full self-realization
through doing the biggest job of which they are
capable, in the best way that they can, and so as to
fill the largest possible place in the social order."²

2. The Church and Industrial Reconstruction, P. 185.
"Man is happiest when he spends himself in endeavors that link him in a common enthusiasm with his fellows, and with the future of the race. To be used by the creative social mind is to have lived."\(^1\) Roosevelt said: "Aggressive fighting for the right is the greatest sport the world affords."

A reorganization of the business system on the basis of service with the private speculative profit motive eliminated will find plenty of ability of the highest type ready to carry it on.\(^2\)

But what of the laborer, the wage earner? Under the present autocratic organization as pointed out in Chapter I, the meaningful part of activity, the work of direction, planning, invention, supplying of aims, is centered in a few. Work, for the masses of workers, becomes mechanical routine, without interest, disagreeable, lacking in any intrinsic incentives to activity. In order to secure their activity, in order to get men to work under such a system, in the absence of legal slavery, an incentive

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2. An excellent discussion of this problem, particularly in reference to nationalized industries, is contained in Hobson's recent book, "Incentives in the new Industrial Order," Chapter IV.
must be supplied from without, in the form of a wage payment.

It "works" because men must live---must have the necessities of life---and under the system this is the only way in which they can get them. It is, however, no indication of a high development of an acquisitive motive; it is rather based on fear, fear of want, of unemployment, of starvation, of suffering for the individual and for his family.

To assume that this wage is the only possible or practicable incentive to activity indicates an utter failure to comprehend human nature. And its working is becoming increasingly defective. There is really no incentive to work at all,---there is only the desire to get the wage and men work only so much as is necessary to accomplish this end. It is a defect inherent in the system which cannot be remedied,---without changing the system. It is a defect which becomes not less, but greater as the mass of wage earners become more and more intelligent and aware of the implications of the whole situation. The history of certain phases of the labor movement during past years, bears out this statement. Labor has demanded higher and higher wages---they seem to
have adopted the well known slogan of "charging all the traffic will bear"—they have secured some of their demands through massed action. But a higher wage throughout an industry is in itself no incentive to a greater amount of or more efficient work. And except where unions have voluntarily adopted certain standards of increased production, where they have as a group compelled themselves as individuals to live up to those standards, neither more, nor more efficient work has resulted.

Practically everywhere one hears this complaint voiced against laborers, that all they want is a big wage and they refuse to give an honest days work in return for it. Unfortunately, to entirely too large an extent, it is true; but deplorable as this is, the blame rests not so much on the individual laborer as on the system of which it is the inevitable outcome. It is an attitude entirely consistent with the rest of the system.

The only sense in which a higher wage does serve as an incentive to more efficient labor is the cases where the wage increases in proportion to the more efficient work. The partial success of piece work and profit sharing schemes offers evidence of
this fact. But even here it is an external incentive, not intrinsic in the activity itself; and as such is still inadequate in the fullest sense. The end is not in the activity and the results of the activity, but is external to it.

A truer insight into human nature will recognize that the sound remedy lies not in increasing the amount of external "incentive" to work—not merely in raising wages, but in so modifying the conditions under which economic activity, that that type of work as well as that of artist, teacher, physician, scientific investigator, etc., comes to have intrinsic interest and meaning; so that the incentive to work is found in the work itself, and its results in human life; so that the work offers opportunity for the development of personality.

Is this an impossible, a Utopian ideal? It is recognized that there are grave difficulties in the way; that there are types of work which no amount of changing of system will ever make attractive. But it is maintained that there are certain changes possible which will render all economic activity more humanly significant.
We have said that the democratic reorganization of industry implies a change of ideal, of viewpoint and of motive, or a modification of motive. It implies also a modification of ownership and control.

As pointed out in Chapter I, one of the root evils of the present economic system is the conception of property as an inalienable, natural right and as being based on that right rather than on the performance of function. This question of ownership of property is one about which there is an insistent and growing demand for re-organization. The value of property as an element in the development of personality has been pointed out, also the fact that under the present system its possession is denied the great mass of the population.

The forces of the times demand that property must be less an individualistic influence on personality, and more a social influence. Personality is a social product, and a wide distribution of property, combined with a readaptation of more social motives in its accumulation, is the general urging of the forces now at work. ¹

In the institution of private property there are many different kinds of possessions. Prof. Hobhouse distinguishes between "property for use" and "property for power," a distinction which we have already indicated. "On the one hand, property is the material basis of a permanent, ordered, purposeful and self-directed activity. Such, upon the whole, is the property which a man directly uses or enjoys by himself, or in association with his nearest and dearest. On the other hand, property is a form of social organization whereby the labor of those who have it not, is directed by and for the enjoyment of those that have. In this sense the control of the owner is essentially a control of labor . . . . These two functions of property, the control of things, which gives freedom and security, and the control of persons through things, which gives power to the owner, are very different. "1 "Property for power tends to defeat the very end for the sake of which, property for use exists—the full development of personalities."2

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2. The Church and Industrial Reconstruction, P. 87.
A democratic reorganization of industry is demanding that there be a wider distribution of and security in "property for use," and a corresponding reduction of "property for power."

A more detailed analysis along the same line has been made by Tawney.¹ He classifies property according to whether based on personal service or not as follows:

1. Property in payments made for personal service.

2. Property in personal possessions necessary to health and comfort.

3. Property in land and tools used by their owners.

4. Property in copyright and patent rights owned by authors and inventors.

5. Property in pure interest, including much agricultural rent.

6. Property in profits of luck and good fortune; 'quasi rents.'

7. Property in monopoly profits.

8. Property in urban ground rents.

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¹ Acquisitive Society, Pp. 63-64.
9. Property in royalties."

The first four kinds of property obviously accompany and in some sense condition the performance of work. The last four obviously do not. Pure interest has some affinities with both. It represents a necessary economic cost, the equivalent of which must be borne, whatever the legal arrangements under which property is held." The first four in general represent "property for use," and must be maintained; the last four in general represent "property for power" and the tendency is to demand their abolition. Private property accumulation, in fact, all reward, must be based on actual service rendered. The taking of a fixed interest on accumulated capital may be considered as a legitimate reward for service rendered, though it frees from immediate service.

The specific proposals for obtaining these ends we cannot here discuss. The limitation of the right of inheritance, income and excess profit taxes, etc., are among those being tried. Two other significant tendencies in industry are in the direction of an extension of state ownership (using state in the general sense) and in the direction of a much wider distribution of stock ownership. There is a
tendency in both directions. Stock ownership in certain industries is becoming considerably more widely distributed. Co-operative consumers societies also offer examples, from another angle, of the same tendency. As to state ownership, while there has been considerable extension of municipal ownership, the principal developments are the insistent demands and proposals, in England, and more recently in America, for the nationalization of certain basic industries, notably the railroads and the coal mines.

In England the report in 1919 by Mr. Justice Sankey of the Coal Industry Commission recommends (1) "That Parliament be invited immediately to pass legislation, acquiring the Coal Royalties for the state and paying fair and just compensation to the owners" and (2) "that the principle of state ownership of the coal mines be accepted."1

The memorandum on the Causes of and Remedies for Labor Unrest presented by the Trade Union Representatives of the Joint Committee appointed at the National Industrial Conference, 1919, says, "Mines and the supply of coal, railways, docks, and other means of transportation, the supply of electric

power, and shipping, at least so far as ocean going services is concerned, should be at once nationalized."

Both the National Union of Railwaymen and the Miner's Federation of Great Britain, as well as numerous other powerful labor organizations are working for nationalization.

In the United States this movement has been less advanced than in England. The American Labor Movement has as a whole been far more conservative than the English. It found expression in the Plumb Plan for national ownership and democratic control of the railroads, put forward by the railroad unions in 1919.

A concerted campaign for nationalization of the coal industry is being inaugurated at the present time, (1923) by the United Mine Workers of America.

The question of ownership cannot be separated from the question of control. This is one of the central problems in the re-organization—one around which all of the other problems center.

There must be some sort of a change from the present system in which control is exercised

1. Ibid., P. 382.
practically exclusively by the owner or manager of property, to a system in which control is exercised in part, at least, by those engaged in the industry---the actual producers whose lives are involved---this control being correlated with the interests of individuals as consumers for whom the goods are being produced.

That it is being more and more recognized as a central problem is evidenced by the spread and increasing insistence of the demand for control,\(^1\) a demand that has increased very greatly since the war. "Before the war the emphasis in individual thinking was upon less poverty, better wages, shorter hours, and better working conditions. Today the emphasis is upon labor's right and ability to participate in the government of industry."\(^2\)

Democratic control along with national ownership, mentioned above, is demanded by the National Railway Union and Miner's Federation of Great Britain. It is recommended by the Sankey Report, proposed by the Mines Nationalization Bill.

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2. Edie: Principles of the New Economics, P. 517.
It is demanded by the Postal and Telegraph Clerks, building trades, in the engineering and ship-building trades, and many others. The widespread shop stewards movement is an expression of this demand of the workers for an increased share in the control and management of industry. As Goodrich says, "Control has become an official and avowed aim of the whole labor movement."¹

In this country, while far less insistent than in England, it is spreading rapidly. Joint control is included in the miner's proposals. It is an important element in the Flumb Plan.

The American Federation of Labor at its annual convention in 1920 held at Montreal adopted a program in which these statements occur: "They (the workers) decline to be enslaved by the use of their own knowledge and they cannot give of it freely or effectively except as equals in industry, with all of the rights and privileges and with all of the stature and standing of employers . . . . . We have repeatedly condemned the principle of autocratic control of industry, and we now declare that short

¹ Frontier of Control. P. 15.
of its complete removal from our industrial life there is no industrial salvation and no hope of abundance in our time. We urge the setting up of conference boards of organized workers and employers as a means of promoting the democracy of industry through development of cooperative effort."

The extent of the control demanded varies very greatly—from a mere "voice" in determining shop conditions, to absolute control by labor with no voice in control by capital.

Furthermore the demand for control is not a simple and definite thing, but involves many diverse desires and aims. Wages and hours, security in the job, desire to determine for whom the work shall be done, desire to improve his status, resentment against obnoxious forms of control, the right to make suggestions as to the conduct of the work, are some of the elements in the demand. Control is a means of obtaining these ends.

There exists among workers a wide difference of opinion as to how democratic control and management

is to be obtained. Some propose public ownership and state management; some, public ownership and management and control by the state and employees together, e.g., the Plumb Plan. Others propose both ownership and control by workers. Still others propose private ownership as at present but with employees sharing jointly in control and management.

The outstanding laboratory for experimentation in workers control at the present time is England. The trade unions have long been strongly organized; collective bargaining has long been recognized. "Now the British worker is busy in winning a new right; affirming a new concern. It is that of producers control in the shop, plant and national industry. It is that of self-government in industry."¹

The shop stewards movement, shop committees within powerful trade unions such as the engineering trades, Whitley councils, workshop organization by enlightened employers such as Renold, Rowntree and Cadbury, local guilds of builders under democratic control—these are some of the most significant of the experiments being carried on.

¹ Kellogg and Gleason: British Labor and the War. P. 180.
The proposals of the Building Trades Parliament of Great Britain as set forth in the Report on Organized Public Service in the Building Industry are very far reaching. They propose the control by the members of the industry organized into national guilds. Capital is to be guaranteed a fixed rate of interest but to have no control. Employers are to be salaried. The surplus earnings are to be devoted to common services under the control of the Building Trades Parliament. The avowed aim is public service under democratic control. Local guilds have been organized and are beginning the experiment in a limited way. It certainly contains great possibilities and its development should be closely watched.

Another experiment in democracy of great significance is the co-operative movement. This cannot be discussed here but in countries like Denmark¹ and England it has demonstrated its worth as a method of social organization. It may well be considered in its broader application to economic and industrial life. Its growth in this country is a hopeful sign.

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¹ See Howe, Frederic: Denmark, A Cooperative Commonwealth.
Most of the experiments being carried on in this country are of the last type mentioned, with the control in most cases limited to questions of shop organization and conditions, wages, hours, prevention and settlement of disputes, etc. About two hundred industrial establishments in this country have adopted some form of employee representation and other more or less democratic features, but in most cases the actual control exercised is very slight. The control is "joint" only up to a certain point. When that point is reached, when the joint committee fails to agree or when a question comes up which is not subject to joint action, the matter is referred to the manager who has final power. They are in reality systems of bargaining with in many cases a cooperative attitude substituted for a hostile attitude. This in itself constitutes a distinct gain but does not by any means imply that these shop committees, works councils, etc. constitute fully developed industrial democracies.

Some of the more advanced types in which there is a real participation by employees in management are represented by Wm. Demuth and Company, Richmond Hill, N. Y., Hart Schaffner and Marx.

1 We can mention only a very small number of these in this study, hoping to make further study later.
In matters over which the joint system of Hart, Schaffner and Marx exercises control the employees have equal power with the management. But these matters are confined to wages, hours, conditions of work and maintenance of discipline.

The plan in operation at William Filene and Sons is in many ways the most advanced of all. In this plan the employees choose four of the eleven members of the Board of Directors. Two more employee members are chosen by the firm. The employees also elect a governing body known as a council which may by a five-sixths vote change the rules of the store, and an arbitration board of twelve members, consisting entirely of employees, which has final authority in matters of discipline, dismissal, wages, interpretation of rules, missing sales, short change, lost packages, etc. This seems to be one of the most encouraging experiments in democratic control. The results have shown that there is nothing to be feared from workers' control.

Though inadequate in many respects many of these experiments are providing valuable training
to both employees and employers. They are providing experience on the basis of which further steps can be taken. While there is little doubt as to the capacity of workers to exercise control, the ability to do so must be developed through practice. It demands a long discipline, an adaptation to the conditions of the industry.

Accompanying control and the exercise of power there must be a corresponding sense of responsibility which in the face of the all too prevalent attitude of irresponsibility on the part of workers generally will require time. It must be kept in mind, however, that a sense of responsibility develops only where there is responsibility to bear. One of the most hopeful signs for democracy in industry is the ready acceptance of responsibility when a voice in control is secured and the employee looks upon himself as a part of the business, one of the management. This is well illustrated by the experience of the Nunn, Bush and Weldon Shoe Company of Milwaukee, Filenes, and by the Amalgamated Clothing Workers.

Successful democratic control and management necessitates the development of an organization,
adapted to the particular industry, through which it can function effectively. It must include workshop organization which in some industries may be part of a larger organization.

It must provide means of securing the expression of the ideas and wishes of all on all matters of common concern and means of co-ordinating and utilizing the technical experience of all. Free and open channels must be provided for suggestions as to improved industrial processes, avoidance of waste, etc., such suggestions being encouraged.

The benefits of such organization is evidenced by the results in the White Motor Company of Cleveland, the Leitch Plan of Industrial Democracy in the Packard Piano Company of Fort Wayne, Indiana, Filenes, and Hart, Schaffner and Marx.

This implies the elimination of a large part of the secrecy which at present surrounds the management side of industry. Entire frankness and publicity as to capitalization, earnings, costs, profits, etc., is necessary. This is done by the Proctor and Gamble Soap Company of Cincinnati and the Dutchess Bleachery at Wappingers Falls, N. Y. At the Filene Store the employees being represented on
the Board of Directors have access to the books of the company. The effect in removing suspicion and distrust is very marked.

Effective democratic organization must include provision for the development and selection from those in the industry of the best possible leaders for the various types of positions, administrative; managerial, technological, etc. A frequent objection to workers control is that they know nothing about business, that they are incapable of business management. It is doubtless true that the great mass of workers do not have such knowledge. But a democratic organization of industry does not imply that all technical and business details are to be decided by vote. The technical expert, the manager who does possess the necessary training and ability can and must be used under a democratic organization as well as under the present autocratic organization. The success of democracy in industry will depend, among other things, on its ability to enlist in its service these various types of experts. We have pointed out elsewhere that there is abundant reason to believe that such ability will be available.
A delicate and difficult problem is that of securing the proper adjustment of authority, responsibility and freedom of initiative between the administrative heads and the mass of workers. Certainly there must be a large degree of all three centered in the chosen leader with the group guiding in general policy. "Workers who have not learned to trust leaders, to submit to discipline, to make democracy safe by conferring necessary power and responsibility on the competent and fit, would make a mess of any democratized industry." But leaders will be of their own selection, and the discipline will be self imposed.

The charge so often made that the introduction of democratic control in industry will result in lack of discipline is not borne out by experiments such as that of Filenes, where the workers through their organization handle all problems of discipline, nor by the experience of Hart, Schaffner and Marx.

The principle stated above, that property accumulation must be based on service rendered has a somewhat broader application than was there indicated.

ted. Reward must, so far as possible, be proportioned to the service rendered. This is not contrary to the necessity of there being established a minimum standard for all. This can never be completely adjusted, by any means, because of the fact that some forms of service are rendered which cannot be evaluated in terms of money, and also because their actual value frequently cannot be perceived at all, or are not perceived until long after the death of the particular individual who rendered the service. Our scale of values is largely fixed by the preceding generation and is slow of adjustment to current experience. Nevertheless the principle has important applications. There must be some form of adequate recognition given to important services of industrial leaders and managers, though no more so than is given equally important services in other types of activity—medical, educational, political. The principle applies down through the scale of activities.

The reward need not be entirely monetary. Opportunity for promotion should so far as possible be open to every man and based on merit or quality
of service alone. Social approval also will always be an important element in the recognition of services.

Along with the right of "property for use" to security and the basing of reward on service, there must be provision for the security of the worker—security in the job and security against old age and against the emergencies of life. "Capitalism is to blame because it has not furnished the working people a similar security to that which it has furnished the investors in the security of their investments."1

The problem of unemployment must be grappled with. The first step must be a recognition, that the worker, by virtue of the contribution of his labor and skill and experience, has made an investment in the industry and is entitled to protection therein as truly as the employer who contributes his organizing ability, or the investor who contributes his capital. Some provision of the sort has been made by the Dennison Manufacturing Company, Framington,

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Mass.; Nunn, Bush, and Weldon Shoe Co. of Milwaukee; Joseph and Feiss Co., Cleveland; The Plimpton Press, Norwood, Mass.; Hart, Schaffner and Marx, Chicago, and Form Motor Company, Detroit. Various plans have been proposed and laws passed, among the best of which is that of Wisconsin. We shall not describe any of these plans here. The problem of unemployment can be solved once the necessity of solving it be recognized. Insurance of various kinds seems to be a desirable form of aid to security, though it is not to be taken as an argument for keeping wages low.

Democratic reorganization must provide for the widest distribution of income possible. The conception of the living wage (recently repudiated by the United States Railroad Labor Board) is not adequate except as a minimum. There should be, in the words of the declaration of the Federal Council of Churches "A living wage as a minimum in every industry, and . . . . . . the highest wage that each industry can afford."¹

¹ Social Ideals of the Churches.
This is a vitally important question and one which is obviously bound up intimately with all the other problems here mentioned. It is obvious that the elimination of speculative profits, the introduction of democratic control, the adjustment reached between producers and consumers, efficiency of production, etc., will affect the amount of income which can be derived by the workers in any industry. Greater efficiency resulting in increased production is a very important element in it. This is a big factor in John Leitch's scheme of industrial representation—the collective-economy-dividend scheme as worked out at the Packard Piano Company and other places.

The success of the suggested reorganization of the industrial system will necessitate the development of efficiency in its operation. This is one phase of the responsibility involved in democratic control and management. Workers, if they are to be self-controlled, must develop collective responsibility for maintaining standards of efficient production. A striking illustration of this acceptance of responsibility is the Amalgamated Clothing Workers of America which did so at its Fourth Biennial Convention in 1920.
We have pointed out some of the reasons for the present inefficient production. Under a co-operative and democratic system many of these conditions making for lack of whole hearted application to the work would be removed. The changed attitude toward the work, the rising standard of intelligence made possible by the changed conditions, will operate to increase efficiency. This is illustrated by the experience of Hart, Schafner and Marx of Chicago, Wm. Filene, and the Packard Piano Co., who have undertaken to organize their business on this basis.

Efficiency will depend also upon the increasing application to industry of the scientific method and of the results of scientific research. This is true under any system, autocratic or democratic, but in its application to the workers, can only be successfully applied under a democratic system. Scientific management demands rigorous, severe discipline. "Such severe discipline cannot be imposed upon free men by a merely external authority, or for any exclusively self-regarding purpose. . . . . They must be free to accept it or reject it. Its rigorism must be authorized by their own
choice. Scientific management must bring with it as a condition of its acceptance the self-governing workshop. A free man can obey the most rigorous and exacting orders without any loss of self-respect, but only in case the orders concern methods, and are necessary to the realization of policies that have been submitted to him and are approved by him.\textsuperscript{1} It would seem that only thus can the opposition of labor to scientific management, so often expressed at present, be removed.

Efficiency will be promoted by an interest in the work itself, in so far as this can be developed. There must be put into the life of the worker a content of understanding, thinking, planning, suggesting. Certainly an important element in it is that an understanding of the work and of its relation to the whole should be promoted. We should learn from the method of Booker T. Washington.

Measures such as change of work and moving from machine to machine, short periods of rest and recreation, short days, etc., must be undertaken to eliminate as far as possible the monotonous and

\textsuperscript{1} Croly: Progressive Democracy, P. 402.
disagreeable character of work—so prevalent in our day of high specialization.

Carrying this further a valuable suggestion has been made by the late Dr. Walter Rathenau in what he calls the Principles of Interchange of Labor. "By the principle of Interchange of Labor it is required that every employee engaged in mechanical work can claim to do a portion of his day's work in intellectual employment; and that every brain worker shall be obliged to devote a portion of his day to physical labor. There are, of course, fixed limits to the application of this principle, on the one side in intellectual, on the other, in bodily incapacity."1 Croly makes a similar suggestion as to the social distribution of disagreeable and monotonous work.2

The question of the hours of labor is one vital in the lives of those engaged in any industry. The dehumanizing effect of the long day, especially in certain industries has been pointed out too often to need comment here.3 It is a problem of tremendous

2. Progressive Democracy, P. 422.
3. See The Survey, March 6, 1921.
importance to a democracy. A democratic re-organization will aim to establish the number of hours of work at a point, determined after careful and thorough study, which will allow a maximum of leisure time, yet meet the demand in that particular industry, or where the demand cannot be met by a particular plant, at the point of greatest productivity, i.e., at the point where the workers can do their best work.

It is important to keep in mind that "All productivity is for the sake of human welfare, and hence that working hours should be determined with a primary concern for the personality of the workers." 1

With the increasing use of labor saving machinery, and with all able bodied cooperating in production, together with the tendency to limit the birthrate, a marked reduction in the hours of work necessary should be possible.

The eight hour day is rapidly coming to be accepted as the standard in progressive countries. While the twelve hour day still exists for large groups of workers, public opinion will undoubtedly soon compel its abolition. Lord Leverhulme, the

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1. The Church and Industrial Reconstruction, P.143.
English employer, says that in some industries at least, a working day of six hours is practicable. "We can get into a working day of six hours all the work we are capable of when that work is monotonous - tending machinery and general work in a factory. To get the work condensed into six hours would enable us to produce not only everything that we require, but to produce it without fatigue."¹

This increase in leisure time involves other problems—problems of its best use. But it opens up also tremendous possibilities of human education, development, achievement and progress. The most chronic optimist could scarcely believe that it would all be advantageously or wisely used, especially at first, but with the spread of education, intelligence and the increased emphasis on the social necessity of the performance of a function by every person, the opening of opportunities for advancement and promotion on the basis of merit, there is ground for the belief that it would be increasingly so used. A confirmed pessimist could believe that it would in general be as well used then as by our present leisure class.

¹ The Six Hour Day, Page 18.
The introduction of the democratic method in industry must be preceded by specific and general training and education. This has many phases. The part that formal education can and must play has been referred to. Among other things it involves the development of intelligent leadership. Laborers are, at present, often unconscious of their own aims, Lacking even an elementary education, bound by necessity to the daily grind, they are unable to see the problem in its larger aspect, fail to see the real issues, and struggle on, fighting for immediate ends involving the pressing, urgent needs of the moment—better wages, shorter hours, better working conditions. "Intellectuals," men who have had the opportunity of higher education, opportunity for studying the problem in its broader aspects can, by making the issues clear, enormously aid the movement and, while not pushing too rapidly, make real progress more certain. The possibilities in this line are well illustrated by the work of a comparatively small group of men in England. From the universities should come in increasing numbers, men with the vision and the desire to meet this need.
This applies of course, especially to those who are preparing for the work of business administration and management. Unfortunately, departments of economics are slow to recognize the changing situation, though they are coming more and more to do so.

A bigger problem is that of preparing the masses of workers. No Utopian dreams are held here, but experiments such as that of the Amalgamated Clothing Workers give ground for a large hope. One of the most important elements in this training for self direction is that received in the long struggle to secure the right of self-direction and in the actual experience of exercising that right in limited degree.

Educational activities initiated by the workers themselves are coming to form a very important element in this preparation. Labor Colleges have been opened and various types of courses, both general and specific, offered. Noteworthy are the Seattle Workers College, and the Boston Trade Union College. The educational work of the Amalgamated Clothing Workers and the International Ladies Garment Workers' Union further illustrate the possibilities.
The application of the democratic method to industry will certainly imply some of these things in some form. What more it will imply only time can tell. That it will be applied to industry seems certain. Its application is necessary to make possible that full opportunity for the development of human beings which is the demand of the times. The promotion of this aim is not only practical, practicable and economically sound; it is moral and religious as well.
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