

away with suitable income surtax rates and inheritance taxes all-excess corporate savings and surplus individual income that cannot be spent by the recipients on consumers' goods or replacement of obsolescent equipment. This surplus can be spent through governmental channels for the production of free social income by building public works, parks, museums, recreation centers, roads—all of which do not offer commodities or services for competitive sale, and in the building of which purchasing power for other goods is directly released in wages.

The fascinating prospects and paradoxes opened up by this concept of using the taxing power as an agency of wealth and income distribution and of business stabilization—its influence on employment, leisure, industrial activity and profits, its relation to obsolescence and technological advance, its bearing on economic decentralization, on international trade and finance—are too large and complex to elaborate here. I am quite convinced that no other approach offers quite as simple and certain a way of assuring business stability and rapid rise of living standards in a highly developed country within the capitalistic framework as this. The approach through centralized industrial planning seems to me largely irrelevant, psychologically impossible, and contrary to fundamental technological tendencies. The approach via credit control is difficult, vague, abstract, uncertain, though ultimately very important. The approach through fiscal policy is concrete, accurate and easily amenable to the engineering attitude.

It is useless to indulge in dialectic debate as to whether these lines of approach are socialistic, communistic or capitalistic. These terms no longer have much concrete significance to me. I personally believe that the ultimate economic organization of society is going to be essentially capitalistic in structure, after a perhaps prolonged period of confused and futile experiment with socialistic centralization and control in certain aspects.

As regards the relation of these terms to stabilization the essential thing to remember is that the most extreme form of capitalism and of communism as represented in the United States and in Soviet Russia are essentially the same in this respect: They are both forms of more or less systematic confiscation. The capitalistic organization as it now exists in this country and in Europe can survive only by force of a perfectly definite though disguised process of confiscation of unspendable surplus income or capital for purposes of consumption—partly periodic, partly continuous. This

must be true of every highly developed industrial organization. The situation in Russia is just the opposite kind of confiscation—that which was practical in the early days of this country in a rough way—confiscation of current consumption income for purposes of capital accumulation. Each is suited to the situation. The only question that confronts both is whether each kind of confiscation can or cannot, shall or shall not be made systematic, smooth and as painless as possible for everyone. That is the essence of the issue of stabilization. In neither place has it yet been successfully met?

## VI

In conclusion, let me touch upon one other aspect of stabilization—to me far more fundamental than any I have mentioned—in which I think that both Capitalistic America and Soviet Russia have failed. That is the psychological aspect. However each of these systems may meet the strictly economic problem of balancing consumer purchasing power with production, they must remain, as they now are, essentially unstable systems so long as that problem is met in ways which do not satisfy the instinctive necessities of the individual. We may define those necessities in many ways, for the creative energy of men has many direct and indirect expressions; but the essential necessities are summed up in simplest terms in the complementary concepts of security and freedom. In both systems the emphasis of the economic approach has increasingly come to be on security, to which freedom is being sacrificed; and this renders them essentially unstable.

Without carrying the comparison any farther, it is clear to me, at any rate, that capitalism is being transformed more by force of the necessity of offsetting the frustrations of freedom than by the necessity of assuring economic security. At present we stabilizers are preoccupied with the problem of removing the sense of economic insecurity, because we see that it is very disturbing to highly organized and centralized industry. We do not yet recognize that this sense of insecurity itself is only partly and superficially the result of economic unbalance, and that it is the expression of deep-seated and far-reaching frustrations of instinctive necessities of the individual quite as important as his economic needs. We must learn, for example, that the instability of consumer demand which arises from the sense of insecurity is the outcome not only of *unemployment* but also of *employment* under modern conditions.

To my mind the greatest promise of the approach to

stabilization which I have suggested is that, in meeting the problem of economic insecurity, it at the same time offers some hope of meeting the other problems of psychological or creative insecurity in a natural and inevitable way which accords with technological tendencies. The same, I am sure, cannot be said of the prevailing concepts of industrial planning. Beneath the

## News of the Sections

### Central New York

The Central New York Section of the Taylor Society held its first meeting of the year on October 23, at the Hotel Syracuse in Syracuse. Richard Pass, President of Pass and Seymour, spoke on "Scientific Management Applied to Problems of Excess Labor During a Period of Reduced Industrial Activity." On November 20, Robert Merrill, a prominent Syracuse banker, addressed the group.

### New York Metropolitan

On November 12, Virgil Jordan, Economist with the McGraw-Hill Publishing Company, presented a paper on "Some Aspects of National Stabilization." George Soule, an Editor of The New Republic, discussed the paper formally and Dr. Person and others contributed to one of the most stimulating evenings the group has had. Mr. Jordan's paper is printed in this issue of the BULLETIN, so that all of our readers may have the privilege of studying it.

On the sixteenth of November the group met jointly with the other management societies in a meeting addressed by John M. Carmody, national president of the Society of Industrial Engineers and a director of the Taylor Society. Mr. Carmody has recently returned from Russia and spoke on the subject "What American Industry Can Learn from Management Methods in Russia."

### University of North Carolina

Under Professor Schwenning's able leadership the University of North Carolina student group started the year's activities with an organization meeting attended by more than fifty students who are eager to increase their knowledge of scientific management. A reduced University income is making it particularly difficult to organize a program for this year. The interest and earnestness of Professor Schwenning and

superficial symptoms of increasing centralization and concentration of control I believe there is a definite drift toward diffusion of industrial activity which will ultimately emerge in a simpler economic structure, making for greater local self sufficiency, increased economic activity, increased individual creative satisfaction, and greater stability.

these students are therefore deserving of all our commendation and—more practical—help. In the matter of help, members whose work will take them South this year can assist by notifying the office, on the chance that Professor Schwenning might be able to use their experience in his program for the year.

### Washington, D. C.

Under Mr. Southworth's leadership members and friends of the Taylor Society in Washington began the year with a luncheon meeting at the Brookings Institution on November 11. Lewis L. Lorwin of that institution addressed the group on "Economic Planning." The group joined with a small private club of economists and political scientists on this occasion, the first of a series of round-table discussions on questions of the day.

## The Japanese Branch of the Taylor Society in 1931

By MISS KIYO KOBAYASHI, Secretary

During the last year, we had a considerable increase in members—from thirty-eight to fifty. It seems that our higher executives are more and more awakening to the need of systematic study of management problems, and are demanding institutions which will give them adequate information. We hope that the coming year may see more of these men included in our membership.

Our activities are inseparably combined with those of the National Management Association of Japan which includes twelve district management societies besides our own. Its publications are distributed among our members with invitations to its various meetings, yearly and monthly. For example, in October our members in Tokyo were invited to attend a meeting held by the Toyo Efficiency Society where Mr. O. Yamashita, chief of the Committee of Production

(Continued on page 263)