

tion of purpose and effort on the part both of individuals and enterprises.

The co-operation integration with which these propositions declare business enterprise must be brought into harmony is the result of a number of forces which have influenced American industry. Conspicuous among these is scientific management. It, in its way, gives the world a new capacity for productivity and a new delicacy of relationships in that productivity. Conspicuous also is large-scale enterprise, which in its way gives new capacity for production, and at the same time, by gathering huge blocks of capital and labor into single enterprises in an individualistic, freely competitive economy, concentrates risks and multiplies the number of individual maladjustments resulting from maladjustment of a single enterprise. It is becoming apparent that the scientific management which has given a nation new productivity must be applied to at least national planning of the use of the productivity for the purpose of establishing national stability.

Europe is more familiar than the United States with this concept of national planning and control of industry. Before the war, development of the cartel represented a first step toward national direction of the organization and forces of industry. The necessities of war compelled a more far-reaching control of national industries in the several European countries than in the United States. Post-war rehabilitation problems have required continuation of a larger degree of national direction of industry than in the United States, and have stimulated consideration of it as a permanent national policy. The writings of Walter Rathenau, justly called the father of rationalization, carrying the credentials of Rathenau's genius as a successful organizer and administrator, have made a profound impression on European thinking. It is on this plane—the national planning and direction of industry—that rationalization and scientific management meet and merge into each other. Rationalization, expressive of national stability as a desire or goal, lacked only a detailed technique. Scientific management brings this technique. Scientific management, originating in individual enterprise and never conceived at the beginning as affecting any area larger than the individual organization, but having a strong social sensitiveness, lacked only the occasion for definite formulation of a larger social mission. The concept of rationalization has brought such a mission to it. The vision of national stabilized industry created by one, and the technique

of establishing stability created by the other, may now merge into one creative whole of purpose and technique.

International Stabilization of Industry

Those who are not afraid to take the next step in thinking compelled by the logic of experience, see clearly that the progress of regularization cannot stop even on the plane of national stabilization. National stability cannot be completely established without international stabilization. As we have said, one thing is written clearly in the history of scientific management; namely, that no lesser area can be completely stabilized if an environing area is left unstabilized. Complete stabilization of the workplace compelled stabilization of the shop; complete stabilization of the shop compelled stabilization of the enterprise and many now recognize that complete stabilization of an enterprise requires stabilization of industry on a national scale. Finally, as J. A. Hobson says in a statement in which the word rationalization is loosely employed:²⁴ "The world is in effect a single economic system, and the improved or impaired productivity and consumption of every part affects every other part. Closer and more effective international movements for such improvements in the distribution of income as will enable world consumption to keep pace with and stimulate improvements in production, form the foundations of the progressive economy and the humaner civilization of the future. This can only be achieved by carrying the principle of rationalization a step further."²⁵ Logic compels us to consider the necessity of ultimate stabilization of world industry by world-scale application of the principles of scientific management. All the forces of national habits, prejudices, chauvinism and entrenched self-interest, are arrayed against such an ultimate application of the principles. Yet boldness in thinking and eventually in conduct ever have been the basis of progress.

A citizen of the United States must acknowledge frankly that, as evidenced by the record of international relations, his country is likely to be the last one to give effective response to this concept of international stab-

²⁴The term rationalization is given so many meanings in current European usage that it is losing distinctive meaning. To the present author the term rationalization connotes primarily the desire or goal of collective organization of industry without implication of the technique of achieving it; while scientific management connotes primarily a technique of organization and management without implication of the area to which it is applied.

²⁵*Rationalization and Unemployment*, New York, The Macmillan Company, 1930, pp. 124, 125.

ilization. But let us not forget that the American is flexible and adjusts himself to new requirements perhaps more readily than most peoples. A continent of rich natural resources has made him self-sufficient. The task of exploring and subduing that continent has occupied his interest and energies. Until recently there has been no need for him to be internationally minded. Very recently, however—within months rather than years—there has been startling evidence in the press that industrial leadership in the United States has begun to think internationally. From time to time there have been public utterances indicating that influential leaders have come to realize that the new industrial technology and its relationships are international, that international factors play an appreciable part in the depression from which we are now suffering, and that the problem must be attacked on an international plane at the same time it is attacked on a national plane.

There are several reasons why these leaders have within a short time acquired a new outlook. The United States has become a creditor nation and it is recognized that a creditor nation must have close and stable international relationships. Many industries have become so productive that open international markets are essential to preserve the capital already invested, and the managements of these industries perceive that the state of industrial collapse and restricted purchasing power throughout the world, and an intensified nationalism expressed in higher tariff barriers, are obstacles to world trade. Other industries, such as oil and sugar, have come to realize that intensive competition in these basic necessities on a world scale can be industrially and socially disorganizing.

This new outlook has been expressed during the past six months by a succession of public utterances which, in the weight of influence behind them, are suggestive of an eventual about-face in the mental attitude of the United States toward international relations. Owen Young, Chairman of the Board of the General Electric Company, at a dinner of the Lotus Club²⁶ declared that politics and economics are in conflict; that the former is becoming more nationalistic the world over, while the latter with great rapidity is becoming more international. Economics is refusing to recognize frontiers and is forcing itself toward an integrated world. This conflict between politics and economics, he said, is one of the causes of present world troubles.

A week or so later Thomas L. Chadbourne, an at-

torney representing American sugar interests at the Brussels international sugar conference,²⁷ argued before that conference that all industries have been led by greed to transgress economic laws; that the underlying issue of rehabilitation of production and consumption on a balanced basis is greater than that of the sugar industry alone; that the capitalistic system is on trial.

In January Paul M. Warburg, Chairman of the Manhattan Company, New York, and director in several banks, condemned the isolation attitude of mind;²⁸ Virgil Joran, economist of the National Industrial Conference Board and an editor of *The Business Week*, New York, advocated international stabilization of money;²⁹ Albert H. Wiggin, Chairman of the Chase National Bank, New York, recommended reduction of war debts and lowering of the tariff;³⁰ and E. N. Hurley, President of the American Manufacturers' Export Association, Chicago, asserted that the stimulus to European industry through reduction of war debts would be also a stimulus to American industry.³¹ In February, George E. Roberts, Vice-President of the National City Bank, New York, recommended international stabilization of gold;³² and John McHugh, Chairman of the Executive Committee of the Chase National Bank, New York, took a stand with those advocating tariff reduction.³³ In March Dr. Benjamin Anderson, economist of the Chase National Bank, also spoke in favor of tariff reductions.³⁴ The following is a quotation from the address of Mr. Wiggin, noted above: "Is it not to be hoped that even the blindest among us may now begin to see that our prosperity is interlocked with that of our neighbors and customers . . . ?"

It should be understood, of course, that these leaders are representatives of the most strongly entrenched capitalistic industry in the world and are faithful to it; and that they are not implying that capitalistic industry should be replaced by any other form of organization of industrial society. But they have the vision to see and the boldness to declare the evils that result from the discrepancy between particularistic political economics and realistic industrial economics; and to challenge industry to attack these evils.

²⁶*Ibid.*, December 12, 1930.

²⁷*Ibid.*, January 9, 1931.

²⁸*Ibid.*, January 11, 1931.

²⁹*Ibid.*, January 12, 1931.

³⁰*Ibid.*, January 29, 1931.

³¹*Ibid.*, February 1, 1931.

³²*Ibid.*, February 18, 1931.

³³*Ibid.*, March 22, 1931.

³⁴*The New York Times*, December 7, 1930.