

Some explanation should probably be given also to substantiate the use of the word *pre-determined*. The implication here is that management, if the conception in the above definition is accepted, does not necessarily concern itself with the nature of the ultimate goal. This goal may be set for it by higher authority, by circumstances, by trade practice. It is not of the essence of management that it select its own goal; although probably it is necessary that it satisfy itself that the goal is worth striving for, or otherwise some of the elements of management would be missing.

Administration is the force which lays down the object for which an organization and its management are to strive and the broad policies under which they are to operate.

The words *management* and *administration* are so frequently used synonymously that one rather hesitates to draw a distinction between them, for after all usage gives a word its meaning. Yet there is a conception in the minds of many of us giving the word *administration* a meaning broader than either *organization* or *management*; in fact, many of us look upon it as encompassing both.

Probably the form of our government is somewhat responsible for this conception. The president, who with his cabinet, is regarded from an organization and management point of view as the official elected by the people to lay down, year by year during his *administration*, the objectives toward which the country is to strive and the policies under which it is to operate, typifies the administrative force behind our government. His messages to congress and his proclamations to the public are administrative in their purpose. After the messages have resulted in congressional enactment and the proclamations have been issued, the various governmental heads of departments, typifying *management*, direct the governmental *organization* in the carrying out of the objects laid down in the acts of congress and the presidential proclamations.

In business, similarly, the board of directors fulfills the administrative function and is represented in its application by a general manager or a managing director—sometimes by an executive committee or board of control.

The terms *executive*, *organizer*, *manager*, *administrator* and the like also are lacking in definiteness in their daily use in practice. Acceptance of the above definitions would automatically define all these terms except *executive*. Thus:

An organizer is a person who brings into being an organization in accordance with the definition above given.

A manager is a person who leads, guides and directs an organization.

An administrator is a person who establishes general objective and policies.

Executive, in the writer's judgment, is a term synonymous with *manager*. That is to say, he is a person who directs and executes, as distinguished from a person who plans, studies and organizes.

There seems to be an inconsistency in the application of the term *chief executive* to the President of the United States, who is at the same time looked upon as the administrator. It would seem, as a matter of fact, that there is a duality of responsibility here; on the one hand, the presidential office is looked to for guidance from an administration standpoint; on the other hand, the president is held responsible for the execution of the various laws and acts passed by congress, by his own office and by the various governmental departments, each within their scope. This is not necessarily an inconsistency; it simply means that two functions are laid upon the shoulders of one individual. As a matter of fact, in a large measure the administrative function is of a recommendatory character only, the ultimate authority lying in congress. Thus it might be said that the responsibility for the administration of our government really lies in combination of president and congress and not in the president alone.

J. WILLIAM SCHULZE

THE CAPTAINS OF FINANCE AND THE ENGINEERS

SOME fifteen years ago appeared a book by Thorstein Veblen entitled *The Theory of Business Enterprise*. It seemed to the editor at that time that this book—the first chapters particularly—presented a most searching analysis of the nature and interrelations of the governing motives and the developing mechanisms in American industrial life. The book attracted no particular attention at the time and it has not succeeded in doing so in the years which have followed. Possibly the American business man was too absorbed in the enterprise there analyzed to care about any analysis; possibly he was not ready for such strong medicine, for his *industrial constitutional troubles* were not as apparent to him as they have become since his *system* has been weakened by the ex-

postures of war; probably the obscure style of the author made the medicine seem impossible. Such expressions as "the concatenation of industrial processes" do not go down easily.

With respect to the motives in American industrial life the author argued that the early motive of securing a livelihood had been replaced by the motive of making money. In the days when the dominant motive was livelihood, the craftsman, the small trader and the small shop earned income and sometimes accumulated wealth by producing—by adding useful attributes to material things or by rendering services which contributed to that end. In later days when the motive of making money became dominant, although many individuals and concerns continued to aim at livelihood, the characteristic thing, because far-reaching in its social consequences and giving tone to the whole—dominating the financial pages of the newspapers and the news concerning captains of industry—was the effort to secure wealth regardless of whether the effort resulted in an addition to the world's total of production. Stock watering, the manipulation of corporate securities, deceptive advertising and the buying of corporate franchises are noteworthy illustrations of the efforts inspired by the later motive.

Concurrently with the change in motive developed industrial mechanisms which facilitated the play of the wealth-getting desire. With increase of population, perfection of machine processes, greater command over natural resources, accumulation of capital and integration of markets, a system which represented primarily an organization of skilled craftsmen and tools was gradually replaced by one which represented an organization of mechanical processes and natural resources, to which the skilled workmen and tools became subsidiary. This organization of natural resources and mechanical processes ran to "quantity production" of specialized and standardized goods and services. It was made more complex and delicate by the development of a vast credit mechanism which was embarrassed by an archaic banking system. The corporate form of organization led gradually to the separation of management and ownership. The system became a body of diverse and interlocking processes, the due working of one part of which depended on the due working of the rest, and lent itself to systematic control under the direction of captains of industry. Systematic control led to systematic manipulation. The captains of industry of the eighties and nineties dominated industry and ac-

cumulated fortunes, not primarily by promoting technical productivity, but by disarranging the industrial system and manipulating values, by securing "rake-offs" made possible by substituting in the public mind artificial and varying values of corporate properties and enterprises for their real values.

While we believe that the great majority of businesses in the United States are still motivated by the purpose of securing income through the creation of useful attributes in things and through the rendering of useful services—straight-forward production—, nevertheless, either because they have supported or have applauded or have been indifferent to the methods and policies of those motivated by the wealth-getting desire only, they have become in the mind of the humble citizen, and particularly of the worker, blackened by the same tar as the manipulator of values. No little of the misunderstanding which has led to embarrassed industrial relations is due to the inability of the worker to distinguish one class from another. It would be the counsel of wisdom which could induce those engaged in legitimate productive enterprise to associate together and raise a banner and undertake an educational campaign to make clear for what they stand. Bonuses, profit-sharing, collective bargaining and shop committees alone will not accomplish all that is necessary; motive, methods and results must be made clear. All the cards must be laid on the table. The game will then become one of cooperating managers and workers against bogey, instead of each against the other as opponents.

Now comes the same author with a series of articles in *The Dial*, presenting the same general thesis, this time simpler in style and much more readable, and enhanced in effectiveness by references to developments of recent years which are well known to every business man. An article in the June number, the title of which has been made the caption of this editorial, is especially noteworthy.

In this particular article the general argument is that

politics and investment are still allowed to decide matters of industrial policy which should plainly be left to the discretion of the general staff of production engineers driven by no commercial bias; that the progressive advance of the industrial system appears to be approaching a critical pass, beyond which it will no longer be practicable to leave its control in the hands of business men working at cross purposes for private gain, or to entrust its continued administration to others than suitably trained technological experts, production engineers without a commercial interest.