

has left people in a highly nervous, excitable, perhaps an irritable, state. It seems to me that they are in a peculiarly emotional, almost hysterical, state. You cannot witness four years of such horrors without having it shock your nervous system. It seems to me that in this emotional state our people today are peculiarly susceptible to a certain kind of agitation. In view of this fact, it seems proper that those who can exercise a calmer judgment under such circumstances should use their influence to see that radical, destructive agitation does not gain ground today.

The brute instincts and the primitive passions of men are aroused in the processes of war, and it seems to be the teaching of war that they shall take by force that which they do not enjoy by right.

Perhaps one of the most vicious and subtle forces employed by the contesting nations during the war was the spreading of propaganda among enemy peoples for the purpose of breaking down their morale. I believe that this was generally practiced, and I believe that it was generally effective, at least to a degree, and, in the case of Russia, to a remarkable degree. We today are suffering the reactions of that war policy. We are suffering from the breakdown of morale of peoples whose minds have been poisoned by the misrepresentation of their enemies in time of war, and we are suffering in this country today the reaction of the chaotic and disturbed condition in Russia that results from that vicious propaganda. I believe that there is propaganda being spread in this country today of the same kind, calculated to produce a sympathetic state of mind in the people of this country for the movement in Russia.

During the war we all subjected ourselves to a rigid form of discipline, the discipline of restraint. We threw our whole souls into the cause, and subordinated ourselves to it. That discipline has been relaxed, and we no longer work under the restraint of a great moving cause. The selfish interests and instincts that were restrained during that period have now burst forth, and, whereas we lived under a system of thrift during the war, we are now launched forth on a campaign of extravagance. This extravagance appears to be accompanied by an attitude of irresponsibility and abandon. I hope and believe that this psychological condition in which the peoples of the world find themselves is an acute disease rather than a chronic one. I do not believe that the American people are permanently going to be mentally upset by what has gone on and is going on in the world

today.

So far as the executive is concerned, this psychological condition produces in the minds of his employees a state that makes it exceedingly difficult to deal with those employees in the ordinary normal way. And so I think the methods of executives and executive management must be modified to meet this condition. It is one that requires the same treatment that is given to one who is nervously broken down. I believe it is a condition that requires kindly, gentle, considerate, humane, sympathetic treatment. I believe, however, that it requires a firm, though gentle discipline. I do not think it is the time to relax the discipline of management control, but I think that discipline should be of a gentler, milder, more palliative nature. It should be the discipline of the sickroom rather than the discipline of the barracks.

Let us take up now the economic causes of industrial unrest. The economic causes surpass all others in the apparent causes for industrial unrest, in that they are given as the cause of a majority of cases of industrial unrest that come to the public attention. Demands are made upon the basis of the relation of wages to the cost of living, and the fact that the cost of living is so high is given for further wage increases. I have no doubt that in most cases this is a sincere statement of the attitude of those who present the demands; and yet it seems to me that there are occasions when other demands, contemplating social reorganization and reconstruction, are presented under the cloak of an economic demand. Certainly this appeal on economic grounds excites the sympathy of people, and we are generally sympathetic in a human sense with the man who asks for higher wages to meet the high cost of living. Let us be sure, however, that this fact is not used as means of abusing this sympathy, of using the high cost of living as a means of demanding a higher wage.

I believe that the real economic truth is gradually, though apparently slowly, prevailing; and I believe that workmen generally are coming to realize that the high cost of living cannot be met by successive increases in wages, and that a continuous procession of wage increases in order to meet the high cost of living is merely a process of chasing the devil round the stump. It is not merely a question today of the high cost of living. It is a question of the relation between the cost of living and wages. These must be related to each other in proper proportion if we are to maintain our American standards of living, and the scale

of wages must not be too high if we are to maintain our industrial and commercial position in international affairs.

Let us examine a little more closely the economic situation in this country today. America has always been a land of plenty. It has perhaps the greatest natural resources of raw materials and agricultural products of any nation in the world. That has been America's surplus, upon which she has been operating, and it is that surplus that has made it possible for America to maintain a wage scale that is higher than that of other countries in the world, and at the same time maintain her international position.

To a certain extent, therefore, we have exploited our national natural resources. There is obviously a limit to which this exploitation can be carried, and when we have equalized our natural resources in comparison with other nations of the world, we will then be face to face with the question of the relation of our wages to the wages of other nations. Our democratic institutions have thrived and been protected by reason of the success and prosperity which have always been present in this democratic country, and we must look closely to see that these democratic institutions are protected when our natural resources shall have been reduced by exploitation to the point where they no longer furnish the same degree of protection.

Before the war raw materials and foodstuffs were relatively plenty and correspondingly cheap. The relation between supply and demand at that time brought about this condition. During the war it was our glorious duty and opportunity to feed the world, and to supply the world, outside of the Central Empires, with our raw materials. That created a demand that relatively was out of all proportion to our supply, and it is not surprising that under a condition of that sort the cost of raw materials and foodstuffs should have risen so tremendously. It is quite proper that wages should have risen correspondingly because of the effect of the cost of raw materials and foodstuffs upon the cost of living.

But there was another cause for the increase in wages, and that was the readjustment which was brought about in industry through the nationalization of industry by the Government in the interest of war work, and the transfer of thousands and hundreds of thousands of employees from work of a private character to work of a public character. In that process of transfer and of readjustment employers generally bid and outbid each other for labor, and the result was

that an unnatural and abnormal market was created for labor.

It seems to me if we are to bring this condition back to normal, that the process must be in some manner reversed. We can assume, I think, as a means of effecting this reversal, that the European demand and the world demand for American materials and foodstuffs will decline, and as it declines it is certain that the price of these materials in the domestic market will decline because they are sure to respond to the law of supply and demand. Immediately that the price of raw materials and foodstuffs decline, we will have a decline in the cost of living, and therefore the justification for a decline in wages. We are all hoping—I think employers as well as employees—that the decline in wages need not take place, or that it shall take place, if it must, at such a rate as not to bring a hardship upon those who depend upon their wages for their support.

It seems to me obvious that if wages are not to decline, then there must be a corresponding increase in productivity in order that there may be justification for maintaining wages at their present level, or nearly that, or at a higher relative level related to the cost of living. Bear in mind that while this question of the scale or plane of our wages may not appeal to us as important in our domestic markets, at some time we are going to have to meet the competition of the world industrially and commercially. If we assume that we have reached the limit at any time in the reduction in the cost of raw materials and foodstuffs as a means of further reduction in the cost of living, we may seek relief under five heads:

1. A reduction in wages.
2. The increased productivity of labor.
3. Improved management. (And there is the large functioning of the members of the Taylor Society—in bringing about improved management.)
4. Improved distribution of commodities.
5. Improved mechanical processes brought about through inventive genius.

The two means which concern industrial relations in this list of five are reduction in wages and increased productivity. I believe that the mind of labor generally today is prepared for increased productivity. I believe that the vast majority of working people realize that their happiness and their prosperity in future rest at least in a degree upon increased productivity. But I regret to say it has been my observation that at least a small minority look upon high wages not as