

forward a desirable uniformity and raising of labor standards, including wage rates, which means more mass purchasing power and a more effective compliance with regulatory and code provisions on labor standards. And finally, it will help toward a minimizing of strikes by strengthening the whole machinery of representative organization by which legitimate differences of interest regarding fair terms of employment can temporarily be adjusted in voluntary conferences.

Indeed, the more the obstruction and the more the effort to make company unions a substitute for industry-wide organization, the more will we face conflict, bitterness, failure to secure the co-operation of labor, and, of course, threats of violence or worse.

A third requirement of an economic constitutional order will be to accord the consumer interest a *much stronger place* in a representative scheme of things. How this is to be done may be debatable, but my own position is that governmentally appointed public representatives can probably, so far as consumer industries are concerned, give effective voice to consumer interests, especially if they have the backing of numerous private consumer bodies. And in the heavy industries producing for other producers it may be that bodies like the National Association of Purchasing Agents can help materially. Great care has, however, to be exercised throughout to assure that all such consumer representatives are personally qualified to act primarily in the public interest.

The point to be stressed is that it is probably only the consumer voice in the joint councils which can avoid the danger of industrial guilds becoming conspiracies against the public, which would build up a vested interest in obsolete jobs, in preventing new technological advances, in restricting production, in maintaining prices and in keeping high-cost, marginal producers perpetually secure in their inefficiency.

It is the active, strong presence of the consumer interest in the NRA and in regulative code bodies, which can help to get away from the difficulties of restrictive practice that the usual cartels have disclosed.

A fourth related and immediate requirement would be at once to provide that all the national and district code authorities and labor boards should be tripartite bodies, specifically representing not only employers but wage-workers and consumers. And this same provision as to representative membership should probably be extended at once to the compliance boards, whether they are set up as governmental or decentralized bodies.

This whole picture of a possible group of self-governing industries under an economic super-cabinet will be incomplete if no recognition is given to the problem of control of bank credit and of new investment. Both in respect to additions to plant in going concerns and in respect to new enterprises, whether in existing businesses or in newly discovered industries, there will have to be some protection to the investor—some control of the extent to which new capital is employed. And bank credit will have to be made available only in relation to reliable indices of genuine credit needs.

But I am not here concerned with anything more than establishing the fact that control in these fields is being recognized by the Administration as an important attendant requirement in the evolution of industrial self-government.

My conclusion is that almost inevitably the whole competitive process is bound to be greatly modified by the building up of a controlling body in each industry, representative of employers, labor and consumers.

My next conclusion is that to some slight extent it is now in our hands to choose whether we shall be high-pressured economically in the next few years into fascist capitalism, or whether a more middle-of-the-road course of tripartite repre-

sentative control will be encouraged to develop, to administer industry under some kind of fully representative national economic council—admittedly as a transitional step only, however.

An economic fascism might give bread and circuses to the masses and stave off the socializing of capital for a long time—especially if there are no great foreign wars. But after that, the essence of the guild idea would again have to be invoked for the reason that sooner or later a functionalized organization of administration and control is the economically efficient method of operation for a society with anything like a democratic bias.

This in very sketchy outline seems to me the meaning and implication in the forces which the NRA has accelerated and which otherwise might have taken a decade or two to reach their present point. The forces as such are non-moral. But they can be used and directed, perhaps, in ways which are beneficent or in ways which are anti-social.

If they are to work in ways which are more immediately beneficial, they need the support of all who can reasonably be disinterested—or who are interested primarily in the public interest.

The interests of the great middle class, of smaller employers, of merchants, and of professional managers—no less than of the wage earners—fall in this matter largely on the side of the public interest. They lie with the support of economic functionalism and constitutionalism—if people can only be made to understand the outlook in its true light.

The road of progress would seem to be in directions which strengthen the trends which the NRA is clearly favoring.

Discussion

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IT HAS been suggested here that the trend of our national economic organization lies in one of two directions, either toward that which has been described as a kind of "American fascism controlled by industry itself," or toward a system of tripartite management including worker and consumer representation, with strong public control of capital and credit, which would build up a virtual series of modern guilds. The latter method, though not spoken of as fascism, would seem to me to correspond much more closely to the more governmental type of fascism as we have seen it developing in Italy under Mussolini.

I do not feel that our industry will be organized along either of these lines, because I believe that the American people as a whole do not wish it. While there is a vast lack of general understanding as to what form of organization should be adopted and the details of the set up, I have been surprised during the last several years when traveling around the country and talking with many types of people to observe that the rank and file of those who seldom make the headlines have a much clearer idea than they have been given credit for as to what they ultimately expect the New Deal to accomplish. This perhaps may be truer in the negative than in the positive sense. The American people know exactly what they do not want, and their ability to decide this acts as a valuable governor in an era of experiment such as ours.

One particular reason why I believe it unlikely we will go into an industrially controlled fascism is the fact that industry as we know it has not achieved any degree of integration, and has not exhibited the type of leadership sufficiently certain of itself or sufficiently active to point to that end. Such leadership as it has had—of the type of Ford and Swope—has fortunately been of a kind which pointed out the new trends and assumed that labor was the co-manager of industry and theoretically was

no longer to be looked on as a commodity to be bought and sold at the highest and lowest prices, as was the established belief under the old economic attitude. This type of leadership has not so far received the endorsement and support it merited from other recognizedly powerful industrialists.

On the other hand I believe the run-of-the-day business men are working through with astonishing rapidity to an understanding of what they do want. During the last eight months as I have traveled back and forth to Washington on professional work for various trade associations and code authorities I have talked personally with hundreds of business executives. An attitude has developed among some of the industries and code authorities which, if the average men in the street, congressmen and government officials had heard expressed as often as I have, would make known to them that the revolution of which Donald Richberg and others have spoken, has, like a vaccination, actually "taken."

If the attitude of those men in the code authorities may be taken as indicative, there is developing the keenest recognition on the part of the American business man of the fact that he is serving in a representative capacity for all of those groups and units composing the economic process.

This revolution in our thinking has largely to do with our habits of buying and selling. We are fast moving toward the condition of affairs where no business executive or private person should think of buying unless he or she knows that in the price paid there is at least a fair return to the seller, because he will know that to do otherwise is damaging to the economic structure. At that time no one will dare pay labor a wage unless he knows that such wage will represent, to begin with, a fair living. No man or woman will dare sell anything which does not at least show a fair return.

If government bureaucracy does not by force of its pressure throw us into a dictatorship—a danger which does exist but which I do not expect will overtake us—the structure which I believe will develop is that of a series of pyramidal code authorities spread over all industry and finally culminating in an organization representing industry itself. This government of industry, or Institute of Industrial Co-ordination as I called it in my first book on the subject, will work hand in hand with the political government in taking complete charge of the management, direction and control of the whole economic process. The first real step in that direction will be taken when the various groups like the United States Chamber of Commerce, the National Association of Manufacturers and various trade associations get together and say that they will take over the job of putting the American people back to work and will do so on a basis which will adequately protect the business manager, the employe, the consumer, the investor, and will supply the moneys that governmental functions require to operate. If Mr. Swope had made this addition to his proposal I dare say it would have been given a better reception.

I am assuming that under this plan agriculture must and will be handled as a business and the farmer dealt with as a business man, instead of, as now and heretofore, looked on as either an object of continued governmental charity on the one hand, or, on the other, as the only person to whom the government has a responsibility.

It is in these processes that the political government—and all of us, who are for the most part still politically minded in a civilization whose major problems are economic—will have to be re-educated as to the function of the government in working out our economic affairs. A political entity can never deal constructively with an economic problem unless it becomes an economic entity. If the National Recovery Administration succeeds in the long run it may be that the Presidency of the In-

stitute of Industrial Co-ordination, marshalling all the economic forces, might be in the year 1975 a far more important position than the Presidency of the United States.

However slowly or rapidly we may progress toward the establishment of an economic body which is fully and authoritatively representative of American business I wish to put before you the suggestion that there should at once be established an American Academy of Industry which will compare in its way—since we are almost strictly an industrial nation—with the function served by the French Legion of Honor. Such an academy could serve in many definite ways. It could, to continue the comparison with the French Legion of Honor, give public recognition to those who make substantial contributions to the establishment of a new civilization in which the keynote is security on an ever increasing scale as the Legion now recognizes helpful contributions in the interest of France as a nation.

The Academy should do for this country what Aristotle dreamed his academy could do for ancient Greece, with the difference that the economic means and processes in this country are now really ready to be used to that end, while the machine and other agencies which make this possible were not even thought of in Grecian antiquity. Such an organization might well set a goal for all of American industry, and goals for each branch of industry, so that we might develop a really scientific leadership. It might well undertake a study, in which it could enlist the aid of every citizen, as to what are prices, what are costs, what are wages, what are profits, what are money, gold and credit, in their relation to the kind of society we are apparently trying to build.

Such an organization could immediately take over the task of educating all groups and divisions of people as to their interests, obligations and privileges under the New Deal. Particularly could it assist in hastening the radical changes which must take place in our buying and selling habits. If any economic plan working toward a definite objective or goal is to succeed the mass of people must understand it. In the program so far there has been no concerted effort toward this end. This seems to me of the utmost importance. I have recently made a point of asking practically every intelligent woman I have met what she thinks of the NRA. In almost no instance did she have a grasp of the principles of the recovery act and the part she is expected to play thereunder. In most cases no interest had even been aroused. Without the intelligent support of the woman purchaser, who is the biggest consumer buyer, the program will have hard sledding.

May I suggest that the fundamental principle to be observed in this whole movement is that at least a fair return must be assured to those who render a service or supply a commodity. I differentiate between profits and a fair return. The latter is that which merely sustains capital. A profit is that which is added to capital. In this connection it may not be amiss to say to those of you who are mathematicians that there is no real hope of spreading or creating buying power in this country until we have stopped living out of capital and begin to build up the small equity we now have, over and above our total debt structure, through assuring a liberal earning power on that capital, so that there can be developed a real buying power which will succeed, not only in pulling us out of this depression, but will maintain a prosperous state.

In closing may I point out that in any long-time plan of trade association organization a substantial interest in the profits of each industry should be allotted to those employed in the industry, so that there will be a sound economic reason for eventually making use of a field of credit which must be developed if we are to bring buying power in line with the producing

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