

Several of the larger corporations are making experiments in that direction. Probably the majority of industrialists believe that the establishment of systems of unemployment compensation should be left to individual initiative, each organization taking care of its employes in this manner. Many students, however, hold that there will never be any significant amount of unemployment compensation if its establishment is dependent upon individual initiative. They argue for some system of universal compensation mandated by the state, compensation to be made from a fund accumulated, not by taxation, but by annual contributions of employers, or of employers and workers jointly. Bills of this nature were introduced in the legislatures of several states during the early months of 1931.

Most of the thinking about unemployment compensation regards such compensation as a relief from conditions which cannot be avoided. Some, however, would construct the system in a manner which would require annual contributions to the fund in proportion to a contributor's spread between maximum and minimum payroll during the year, and thereby create an incentive for greater caution both in expanding and contracting employment. This would create by the state an incentive for better management and stabilization in every contributing organization.

The influence of the depression has been so marked that some leaders advocate more than unemployment compensation. Believing such compensation alone would not be a sufficient stabilizing influence, they are thinking audibly about control of industry through some form of national planning. Such leaders as Owen D. Young, Chairman of the Board of the General Electric Company, Alfred E. Smith, four times Governor of the State of New York and recent candidate for President of the United States, Glenn Frank, President of the University of Wisconsin, and the Rev. Harry Emerson Fosdick, Pastor of the Riverside Baptist Church, New York, have publicly declared that lack of economic statesmanship in general and of national planning in particular, are the causes of depression. At its annual meeting in December, 1930, the American Society of Mechanical Engineers modified its usually highly technical programs by the inclusion of a session devoted to discussion of national stabilization. The necessity for national planning was strongly emphasized there.

Generally in these discussions²¹ the principle of control through planning, already proved in shop manage-

ment and general administration, has been referred to as applicable on a national scale.

In 1929 the Committee on Recent Economic Changes of the President's Conference on Unemployment, declared in its report:²²

With greater knowledge of consuming habits, with more accurate records of the goods consumed, a sensitive contact has been established between the factors of production and consumption which formerly were so often out of balance... To maintain this balance and to extend it into fields which are not now in balance with the more prosperous elements of the nation, is clearly an important problem of leadership... Our complex and intricate economic machine can produce, but to keep it producing continuously it must be maintained in balance... Informed leadership is vital to the maintenance of equilibrium. It depends upon a general knowledge of the relations of the parts each to the other. Only through incessant observation and adjustment of our economy, can we learn to maintain the economic balance.

This report was rendered during the height of the 1929 industrial activity. It made little impression on the public. Perhaps the phrase: "a sensitive contact has been established between the factors of production and consumption which formerly were so often out of balance," was read as an assurance that complete and permanent balance already had been achieved!

In December, 1929, with the above Committee Report as a basis, the Taylor Society at its annual meeting opened public discussion of the problem, and emphasized the question whether economic balance does not require that the technique of planning developed in individual enterprise should be applied on a national scale.²³ Again at its annual meeting a year later, December, 1930, the Society provided for continuation of the theme by offering certain definite propositions for discussion under the caption: "A New Challenge to Scientific Management." These propositions should be of interest to this Congress.²⁴

The propositions presented for discussion this evening center about the concept that the operations of industrial society are not yielding the greatest possible good to the greatest number of industrial citizens. This is because these operations are not now, although formerly they may have been, organized with that end in view; and more particularly because of an inconsistency between the basic principle of business enterprise—individual self-interest and intuition—and the basic principle of the production technology which that enterprise, without full appreciation of its influence, has come to use—co-operative integration. The result of this inconsistency is periodic dislocations of industrial processes, stoppage of livelihood activi-

²¹New York, McGraw-Hill Book Company, 1929, Vol. I, pp. xxi, xxii.

²²Bulletin of the Taylor Society, Vol. XV, No. 1, February, 1930, p. 2.

²³Ibid., Vol. XVI, No. 2, April, 1931.

ties and of income for a large proportion of the population, and consequent ultimate impairment of progress toward a balanced and harmonious social life.

In its general outlines the concept is not new. For centuries there have been those, who, dissatisfied with the economic conditions of their lives, have constructed utopias and formulated doctrines of a better organized society. On the whole, however, these utopias and doctrines have not been in accord with the possibilities presented by the technologies of their respective times, and have involved sudden and revolutionary change.

The conspicuous new element in the concept today is recognition of present characteristics of industrial technology, which has undergone great and rapid change during the past half century. What is involved in the present approach to the problem is not revolutionary reconstruction but evolutionary consistency. It is argued that new principles of organization and control of individual enterprises, and of integrated groups of individual enterprises, have been developed and validated, and that if these were applied to the organization and control of industrial society conceived as an organic whole, many and perhaps most of the forces which now cause periodic dislocations and distress in industrial life would be eliminated.

With this brief explanation the following propositions are submitted for discussion:

Proposition 1. Scientific management has given the individual industrial enterprise, whether single unit or multiple unit, a body of principles and a pertinent technique of management involving:

- a. Research in its various forms—the basic approach to a solution of the multiple problems of management;
- b. Standardization—the specification of purposes, policies, plans, projects, facilities and methods, as the relatively constant factors in terms of which plans may be made and their execution directed, measured and appraised;
- c. Planning and control—the organization and direction of the application of facilities along predetermined lines for accomplishment of purposes, policies, plans and projects;
- d. Co-operation—recognition and acceptance of the laws governing managerial situations discovered by research, formulated in standards and utilized in planning and control.

The application of these principles has demonstrated the practicability of internal stabilization of the individual enterprise: i.e., control of variation in the relations and composite influence of the internal factors of the enterprise. The elimination of internal maladjustments, except when caused by the impact of forces outside the control of the management, may be regarded as practicable.

However, it should be noted, the internal stability of an enterprise established by scientific management is frequently nullified by the impact of forces of the industrial environment outside the control of the management.

Proposition 2. During the past century, and with rapid acceleration during the past quarter-century, production technology has developed along the lines of increasing mechanization, and of specialization and division of labor not only as between individuals in a particular enterprise but also as between enterprises and functional groups of enterprises. This has created an increasing interdependence among individuals, enterprises and groups. These organic inter-relationships are

so intricate and delicate in their adjustments as to expose the industrial organism at any one of numerous points to maladjustment which is reflected all along the line of inter-relationships. These maladjustments occur periodically, and take the form of a serious stoppage of productive processes and of the distribution of social income, with serious consequences to numerous individuals who are dependent upon that income for maintenance of their standard of living, and in some instances for their subsistence; and with serious consequences also to enterprises which are dependent for maintenance of stability upon continuous transformation of material goods into free capital for reinvestment.

Proposition 3. There are two principal reasons for these maladjustments of organic relationships and their serious consequences. On the one hand, the adjustment of relationships is left to the "working of natural economic forces" in the negotiations of business—really the chance composite influence of a vast number of enterprises motivated by individual gain in competitive activities, limited in their perception of relationships and the organic consequences of their activities, and on the whole dependent upon intuition for their decisions as to purpose and method. On the other hand, the organization and direction of established social mechanisms upon which even individual enterprise has long been dependent, such as currency and credit, is along similar lines of individual initiative, control and intuition.

In other words, the basic individualistic processes of business enterprise no longer operate in harmony with the vast superstructure of inter-related technological processes of the actual production of social utilities. This absence of harmony is not merely negative, but is a positive force generating periodic dislocations more and more destructive in their influence in the whole social structure.

Proposition 4. This lack of harmony between the processes of business enterprise and the technological processes of production of utilities may be removed or at least measurably reduced by deliberate efforts of industrial society to bring them into harmony; efforts which presumably must proceed along the following lines:

- a. Common recognition of the problem and analysis of its causes and consequences;
- b. Voluntary establishment of some form of self-government in industry dependent for its effectiveness on the acceptance by individual enterprises, for the common good, of the necessity for greater limitation to individual freedom in business activities than is at present assumed to be desirable;
- c. Application of the principles of scientific management developed and validated in the individual enterprise (as presented in the first of this series of propositions) to industry conceived as one vast enterprise in which all members of industrial society are workers and shareholders in common with each other.

Inasmuch as the application of these principles has in individual enterprises increased the opportunity for adjustment, initiative, self-expression, accomplishment, and stabilization of purpose and effort on the part of those co-operating in these enterprises, it is a reasonable assumption that the application of these same principles on a larger scale will promote more generally throughout industrial society opportunity for adjustment, initiative, self-expression, accomplishment, and stabilization.