

Thomas N. Carver The Coming Revolution in America -- 5 parts in Outlook, in 1925

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The Socialist Dogma and the American Ideal

A YEAR or so ago a popular bishop was quoted as saying that Russia was the only country in the world that was pursuing an ideal. That would be startling if true, but it must be classed among those statements that are designed to attract attention rather than to convey accurate information. The Bolsheviki are followers of Karl Marx, and their experiment was based upon his teachings. If there is anything that Marx and his followers are unanimous in repudiating, it is idealism of every kind. He and his followers have taught the proletarians to shun all ideals as devices of the ruling classes to hold the masses in subjection, and to look after themselves alone.

According to this teaching, there is, to begin with, no God. What is more to the point, there is no such thing as right and wrong in any positive sense. Right and wrong are mere conventional ideas. Whatever happens to be approved by the people of a given time and place for them is right; what they disapprove is wrong. There is no higher court of appeal, there is no other test. If it is generally agreed that lying, stealing, and rape are commendable, they are commendable. If it is generally agreed that they are not commendable, they are not; that is all there is to it.

When this materialistic interpretation of history is combined with the doctrine of evolution through class struggle, it becomes even more strange to Christian ears.

According to this, our conventional notions of right and wrong are determined for its at any time and place by the dominant class. When the fighting class was dominant, their ideas prevailed; what they said was right became right; what they said was wrong became wrong. When the priestly class dominated, they determined right and wrong for us. At other times and places the capitalist class is dominant. If they say that a given thing is right, it becomes right; if they say that it is wrong, it becomes wrong. The rest of us are led to approve what they say is right and to disapprove what they say is wrong.

In all these cases the class that is in a position of domination and which, because of this position, determines for us what is right and wrong always decides in its own interest. When the priestly class dominated the ideas of society, they made everybody believe that it was tight to do what the priestly class found it to their interest to have the people do. It was right to pay tithes because it was profitable to the priestly class

that people should pay tithes. It was right to revere God or the gods because this gave the priestly class power over people through its interpretation of the will of God or of the gods. And so the whole moral system was planned for the profit of the priestly class. When the capitalist class became dominant and was in a position to determine what was right and what was wrong, and make the rest of us believe it, they invariably made us believe that it was right to do whatever was profitable for the capitalist. It is right to be industrious because it is profitable to the capitalist that we should be industrious. It is right to be honest because it is profitable to the capitalist class that we should be honest. It is right, especially, to respect property and not steal because it is profitable to the capitalist class that we should respect property and not steal it; and so on. The whole moral system was built up by capitalists in the interest of capitalists.

"From this point of view," says Engels, Marx's chief disciple and interpreter, "the final causes of all social changes and political revolutions are to be sought, not in men's brains, not in man's better insight into eternal truth and justice, but in changes in the modes of production and exchange."

1. Socialism, Utopian and Scientific, by Frederick Engels. Translated by Edward Aveling page 45.

"If the British bourgeois had been convinced before of the necessity of maintaining the common people in a religious mood, how much more must he feel that necessity after all these experiences. Regardless of the sneers of his Continental compeers, he continued to spend thousands and tens of thousands, year after year, upon the evangelism of the lower orders: not content with his own native religious machinery, he appealed to Brother Jonathan, the greatest organizer in existence of religion as a trade, and imported from America revivalism, Moody and Sankey, and the like; and, finally, he accepted the dangerous aid of the Salvation Army, which revives the propaganda of early Christianity, appeals to the poor as the elect, fights capitalism in a religious way, and thus fosters an element of early Christian class antagonism, which one day may become troublesome to the well-to-do people who now find the ready money for it."²

2. Op cit., Introduction, page xxxi

The next stage, according to the Marxian teaching, is that in which the proletarians become dominant and are in a position to determine what is right and what is wrong. They do not profess to be seeking right or justice except in a purely conventional sense, because, according to the materialistic interpretation, there is no such thing as right and justice except in a purely conventional sense. They are going to tell us what is right and what is wrong and force us to accept it; but what is right under this new regime will be what is profitable to the proletarians. What is wrong will be what is unprofitable to the proletarians

It is conceived, for example, to be against the interest of the proletarians that anyone should call anything his own. Therefore they will make it wrong for any one to call anything his own. If any one does call anything his own, it will be to the interest of the proletarians for some one to dispossess him or take it away from him; therefore they will make it right to dispossess the one who pretends to any form of ownership. Again, there is no idealism about this; it is believed, however mistakenly, to be for the purely material gain to the dominant class, which, under the revolution, is the proletarian class. There is no more idealism about this than there was when the capitalists made us believe that what was profitable to them was right and what was unprofitable was wrong.

If you ask a thoroughgoing follower of Marx whether he thinks it is right to do some of the things that the Bolsheviki have done, you will not disturb him in the least. He will merely ask: What do you mean by right? Who determines what is right and what is wrong? In Russia the Bolsheviki are going to determine what is right and what is wrong. If they decide that it is to their interest to do what they are doing, that makes it right. If any one doubts this let him read Trotsky's "The Defence of Terrorism.¹" This is the kind of idealism which our popular bishop apparently approves, if we are permitted to interpret his language intelligently.

1. The Labor Publishing Company, Ltd., London, 1923

The Marxian Socialists' general opposition to international war is sometimes accounted to them for righteousness. Possibly this is what the bishop had in mind when he spoke of the idealism of the Bolsheviki. The so-called pacifism of the Marxian Socialist, however, is not based on any fundamental opposition to war. He is only opposed to war between those territorial groups called nations. He advocates war between those non-territorial groups called states or classes. The advocate of class war is no more of an idealist than the advocate of international war.

There are some pacifists who, like Tolstoy, are opposed to war of any sort; who are not opposed to government as such, but opposed to all exercise of force; who are not opposed to nationalism as such, but are only opposed to nationalism when it eventuates in war. Such a pacifist is just as much opposed to class war as to international war. and to the use of force to resist government as to the use of force in support of government. There is undoubtedly a kind of idealism about this, even though it is utterly irrational and impracticable; but this kind of idealistic pacifism ought never to be confused with the materialistic, class-conscious pacifism of the Marxian Socialist who denounces international war in one breath and preaches class war in the next. Such spurious pacifism is more likely to be based on cowardice than on idealism.

As the ultimate outcome of the war of the classes, it is contended that peace will be established through the elimination of all classes except one. When the entire population is included in one class, namely, the proletariat, there can obviously be no longer any war of the classes. This argument runs parallel to one that has always been in the minds of military imperialists from Caesar down to Napoleon and the late Kaiser. If all other nations of the earth could be conquered by one nation and brought under one great empire, there would be no such thing as international wars any more because there would be no nations left to fight among themselves. The *pax Romana* was a real thing while it lasted.

Unfortunately, this reasoning overlooks the possibility of civil war. When the whole world was under the Roman Empire, of course there could be no war between the Roman Empire and any other: but civil war was not only a possibility, it became an actuality, and civil wars are quite as bitter and as destructive as international wars. A similar idea was apparently in the minds of the German militarists before the World War. If the Kaiser could be made a sort of super-Kaiser, ruling over the entire world, of course there could be no such thing as international war any longer. There was a plausible line of reasoning which led to the conclusion that through militarism world peace would be established. The German militarists could therefore with straight faces pose as apostles of peace. They were apostles of peace in the same sense that the Bolsheviki are.

Their reasoning, of course, overlooked the fact that it might be difficult to hold a great empire together and avoid civil war. The *pax Germanica* might have been a real thing while it lasted, though the process of achieving it might be somewhat painful. Again, the process of breaking such a world empire up again into a number of territorial units would also be painful.

If the Bolsheviki could exterminate or eliminate all other classes and leave only the proletarians, there could, of course, no longer be a war between classes — at least that might be true for a time. The *pax Bolshevika* might be a real thing while it lasted, but one who believes that there is no conflict but only harmony of interests among all proletarians must be rather naive.

The history of efforts to eliminate war by conquest and the elimination of all ruling groups except the one that is victorious does not lend much support to the theory that the *pax Bolshevika* would endure for a long time or that it would be proof against the conflict of interests among the various elements that must necessarily be included under the term proletarian.

The fact is that the United States is one country that has a very definite and

practicable, and at the same time a very beautiful ideal before it — an ideal that is vastly finer, more just, more righteous, and withal more easily attainable than anything of which any Socialist ever dreamed. In the pursuit of this ideal we are actually in this country achieving an economic revolution which, in the most literal possible sense, is the exact realization of the rule, “He that would be great among you, let him be your servant.” Not only that, but we are actually working out in this country at the present time the only economic revolution in the world — at least the only one that amounts to a hill of beans. Moreover, this revolution is being brought about without any help whatsoever from the professional reformers or the preachers of purely emotional righteousness. It is being brought about by the school ma'ams and the business men primarily, though everybody who does really good and honest work in any field of useful endeavor and who thinks clearly and votes sanely has his part in it.

Just what is going on in this country at the present time? We are approaching equality of prosperity more rapidly than most people realize. What is equally important, we are working out this diffusion of prosperity for all classes without surrendering the principle of liberty which is embodied in modern democratic institutions.

It is, of course, deplorable that we cannot do a number of other things at the same time. The writer wishes that we could also lead the other countries in the fine arts, even in the arts of dirt and display which some particularly frank medievalists seem to prefer to anything modern.

We must, however, content ourselves with such arts and graces as can be cultivated by busy people.

The amazing material prosperity that is coming to this country through the pursuit of the noble ideal of equality under liberty, and our failure to develop the arts of leisure, are deceiving many superficial observers into believing that their ideals are themselves materialistic. But this prosperity is coming to us precisely because our ideals are not materialistic.

All these things are being added unto us precisely because we are seeking the kingdom of God and his righteousness as they are always added and must of logical necessity be added unto any nation that seeks whole-heartedly those ideals of justice that are the very essence of the kingdom of God.

**What this coming revolution is the author will explain in articles
to be published in later issues**

OUTLOOK / 1 April, 1925

The Genesis of a Labor Problem

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THERE was once an old cattleman out in Wyoming who had gone there in an early day and grown up with the business. He knew his cowboys personally, called them by their first names, and never pretended to belong to a different social class, though he never left them in any doubt as to who was boss about the ranch. They sometimes called him by his first name, though among themselves, when he was not present, he was simply "the old man."

The cowboys were emphatic and sometimes picturesque in their declarations to the effect that they were not paid enough. The old man was equally emphatic and even more picturesque in his statements to the effect that they were paid more than they were worth. And yet there was, strictly speaking, no labor problem; at least there was none in the sense in which that expression is now generally used. To begin with, there was no social gap separating the employing class from the laboring class. In fact, there were no classes. Social classes are a frame of mind. No one spoke or thought in terms of class consciousness because there was no class consciousness, and since there was no class consciousness there were no classes.

There was no lack of sociability between "the old man" and his cowboys. These men all had a common interest, namely, cattle. This common interest bridged the gap between them as effectively as a common interest in religion, golf, whisky, or rheumatism does among other people.

After many years "the old man" was gathered to his fathers and the ranch passed into the possession of the second generation. A gap began to appear between the laboring people — that is, the cowboys — and the absentee owners. The owners were less and less interested in cattle as such, but more and more interested in the things which the income from the ranch would purchase. The interest shifted from production to consumption. The ranch became to them more and more merely a source of income. It was no longer a treasure in itself. The treasures were found in various articles of consumption which they were now able to afford, and where the treasure was there the hearts were also.

Since there was no basis for mutual understanding, appreciation, and sympathy, the wage question began to breed a new kind of opposition. It was combined with a feeling of class distinction. Employers and employees lived in different worlds because their interests were centered in different things. Where this feeling of class distinction exists it is always possible to find an issue. There are dozens of sources of irritation, any one of which may start a quarrel. The question of wages makes a very convenient issue.

In this parable (for it is a parable) we find the real explanation of the existence of a labor problem which must always be distinguished from the wage question. There is never a labor problem except where there is a feeling of class distinction. The feeling of class distinction grows up automatically wherever people with widely different interests are brought into contact. If one group of people who are peculiarly proud of the color of their skin are brought into contact with people whose skin is of another color, a feeling of class distinction will exist. If people who are vitally interested in one type of religion are brought into contact with people of another religion or of no religion at all, a feeling of class distinction will develop. If people who are inordinately proud of their culture are brought into contact with the uncultured, the same thing happens. When people whose chief interest in life is in the scale of their consumption or the lavishness with which they can entertain are brought into contact with people who have to live on another scale or who have to entertain less lavishly, we get the same result. The mere fact that one person is an employer and another an employee does not of itself produce the feeling of class distinction. A common interest in a common work unites and does not divide people. So long as the employer is, as was this old cattleman, primarily interested in the work of raising cattle, his contact with his cowboys did not produce a feeling of class distinction.

We can scarcely realize at this time, after forty or more years of immigrant labor, with many strikes and acute labor disputes, and the development of a distinct class consciousness, the social conditions that once prevailed in some of the New England factories, even though wages were much lower than now. An excellent account is given in "A New England Girlhood," by Lucy Lancom,¹ regarding her own life as a factory girl in Lowell, Massachusetts. She says:

1. Houghton Mifflin Company, Boston, 1889.

The girls who toiled together at Lowell were clearing away a few weeds from the overgrown track of independent labor for other women. They practically said, by numbering themselves among factory girls, that in our country no real odium could be attached to any honest toil that any self-respecting woman might undertake.

I regard it as one of the privileges of my youth that I was permitted to grow up among those active, interesting girls, whose lives were not mere echoes of other lives, but had principle and purpose distinctly their own... .

Work, study, and worship were interblended in our life. The church was really the home-center to many, perhaps to most of us: and it was one of the mill regulations that everybody should go to church somewhere. There must have been an earnest group of ministers at Lowell, since nearly all the girls attended public worship from choice. ...

In recalling those years of my girlhood at Lowell, I often think that I knew then what real society is better perhaps than ever since . . .

We were allowed to have books in the cloth room. The absence of machinery permitted that privilege. Our superintendent, who was a man of culture and a Christian gentleman of the Puritan school, dignified and reserved, used often to stop at my desk in his daily round to see what I was reading. . . .

We had occasional glimpses into his own well-ordered home-life, at social gatherings. His little daughter was in my infant Sabbath-school class. . . . She sometimes visited me at my work, and we had our frolics among the heaps of cloth, as if we were both children.

A later writer, George F. Kenngott,² at one time a minister of religion in Lowell, belonging to a generation that had known much of class-conscious, labor troubles, looking back on the past, writes:

2. The Record of a City. The Macmillan Company, New York. 1912.

There are still those in Lowell who remember the "former days" and pine for their return the happy days when life was homogeneous, and all were one in their loyalty to the new mill town on the Merrimack, when the Yankee girls worked leisurely thirteen hours a day in the mills and wrote poetry at night, when everybody went to church on Sunday, and worshiped God in a common tongue. It is a far cry, indeed, from the city of more than one hundred and six thousand, made up of fifty or more nationalities, with fifty per cent foreign-born and eighty per cent foreign parentage, to the days of "auld lang syne" when all knew each other, thought the same thoughts, spoke the same language, and worshiped in the same way.

The happy relationship of the past has been destroyed by several factors. In the first place, as Dr. Kenngott observes, the ownership has passed into the hands of a new

generation of absentee owners. What is even more vital, they have adopted a false philosophy of life. They are more interested in the things that money will buy than in the work that is the source of the money. The larger wealth of the owners enables them to consume on a scale that is impossible to the laborers. This tends to separate them into social classes. To counteract this there is no longer a common interest in a common work to furnish a basis for a common social life with mutual respect and sympathy. This change of interest on the part of the employing class has been encouraged by foreign influences. One of the most common criticisms of American life by foreigners is directed at the propensity of Americans to work when it is no longer necessary. They wonder why we do not stop working and begin to "live," as they call it. They have, some of them, even felt called upon to act as missionaries to win us away from the work-bench philosophy of life and convert us to the pig-trough philosophy: that is, from that philosophy of life which finds the principal field for self-expression in production to that philosophy of life which finds its chief field for self-expression in elegant leisure, graceful consumption, and other forms of "conspicuous waste."

It is, unfortunately, still true that a great many people think that one cannot perform service unless he stops his regular work and begins to do something else. If a man is engaged in honest business, it is a service to the public to have that business conducted in the best possible manner, to have it expand and flourish. Generally, the man does more good when he sticks to that kind of business than when he stops and tries to do good in some other way.

Of course if a man is engaged in a dishonest business in which he is extracting money from other people without rendering a service or giving them anything that is of any use to them, he is not in any sense a servant. The sooner he quits the better it is for everybody else. But if he is really giving people the equivalent of all the money he gets from them, he is their servant and is entitled to what he gets. In fact, he is entitled to what he gets only because he is their servant.

The spread through this country of the notion that the way to enjoy life, or even to perform service, is to stop one's regular work in which one has developed some expertness, and turn to something more elegant or leisurely, is one of the factors which lend to create a gap between those who have to work and those who are able to stop working and enjoy elegant leisure. Another factor that has tended to widen still further the gap is found in the fact that more and more, in the last generation or so, the wageworkers have been largely immigrants.

Why, it may be asked, do countries without immigrants have a labor problem? The

answer is very clear and simple. These older countries have antiquated, aristocratic traditions which we did not have in this country until we began to import them from abroad.

Even to this day, the Englishman's idea of a solution of the labor problem, unless he be himself a laborer or some sort of a radical, is some device, plan, or policy that will keep the laboring classes satisfied with low wages. The ideal of all sound Americans, however, is that there is no solution of the labor problem until, first, wages are so high as to offer no ground for discontent or dissatisfaction among the wage-workers, and, second, there is no class consciousness or feeling of class distinction to be a cause of irritation: in short, when we shall no longer speak of the laboring "classes."

This is now in process of being achieved. Laborers are rapidly becoming capitalists as well as laborers; and to a gradually increasing degree capitalists are finding it difficult to hire all their work done and are compelled to do more and more of it themselves. In short, capitalists are becoming laborers as well as capitalists. This actual blending of the two so-called classes means that there will be no more classes in this country. Fraternity has never been very clearly defined, but this condition, when there is no class consciousness, comes as near being fraternity as we are ever likely to attain, if it be not fraternity itself.

**In succeeding articles Dr. Carver will indicate the course that the revolution
in America is taking**

OUTLOOK / 8 April, 1925

The Financial Power of Labor

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THE high taxes and surtaxes on large incomes have considerably reduced the inequalities of net income among the different classes in the United States. A number of our leading financial authorities expressed some fear when these taxes were adopted lest they should cut off the leading sources of the capital that would be needed to expand our industries. However, the high wages that had prevailed during the war, and which we were able to maintain after the war by reason of the restriction of immigration, suggested the possibility of tapping a new reservoir of liquid capital available for investment. A number of representative industrial and banking

corporations began to formulate plans for selling securities to small investors — even to the wage-workers. The results of these experiments exceeded even the wildest expectations of their promoters. Wage-workers showed an astonishing ability to invest. These tentative experiments have been followed during the last two years by more and more corporations and investment agencies, with still more astonishing results. It is well within the bounds of accuracy to say that the growing financial power of labor is the most significant economic tendency to be found anywhere in the world today. It amounts to a real economic revolution.

There are at least three kinds of evidence of this growing financial power. First, there are the statistics regarding the old-time forms of thrift, such as savings deposits, the assets of building and loan associations, and the premiums paid to insurance companies. Second, there are some incomplete but quite astonishing figures showing a remarkable increase in the number of small investors in the stocks and bonds of industrial and public service corporations. Third, there is a distinctly new phenomenon — the growth of labor banks.

It should not be expected that savings deposits and the assets of building and loan associations should increase phenomenally, even though there should be an unprecedented growth in the financial power of labor. Savings deposits are necessarily of the nature of nest eggs or small funds saved up for meeting unlooked for emergencies. They should not be expected to keep pace with the general prosperity of the people or the total savings of small investors. No matter how prosperous a person becomes, he is not likely to add greatly to his savings deposits. After they have passed a certain sum, he is likely to withdraw a part of them to invest in something that promises a larger return; consequently, the mere growth in savings deposits would of itself be an incomplete index of the growing financial power of labor. These figures are important, however, because they show that people have not reduced their savings deposits in order to make other investments. On any basis of calculation, savings deposits have increased more than enough to compensate for the cheapening of the dollar and the increase in the total population.

The report of the Savings Bank Division of the American Bankers Association shows that the total deposits were multiplied nearly two and a half times during the ten years from 1914 to 1924. The per capita savings deposits for the country at large more than doubled and the total number of depositors more than trebled. There is no method by which we can determine just how many of the new depositors are wage-workers. These who are acquainted with the facts testify that large numbers of them belong to the wage-working class. That is really all that can be said at the present time.

During the same decade the total membership in building and loan associations

considerably more than doubled, while the total assets trebled.

As to the vast fund of life insurance owned by the patrons of life insurance companies, it is well known that the most phenomenal growth in the whole insurance business has been in those companies that specialize in industrial insurance. Mr. Richard Boeckel, in an article in the "Forum," April, 1924, says that more than two-thirds of the life insurance policies at present in force in this country are held by wage-workers. This does not state how the volume of insurance held by them compares with that held by other people. In 1912 the total insurance in force was approximately \$15,503,003,000. At the present time it is more than \$60,000,000,000. In terms of dollars this represents almost a fourfold increase since 1912. In terms of purchasing power, of course, the increase is not so great. It is safe to say that the increase in purchasing power is two and a half times. In terms of dollars the total amount is greater, according to ex-Secretary Houston, than the total pre-war wealth of France, and nearly as great as the total estimated wealth in this country in 1890. Since the holders of these insurance policies are ultimately the owners of the property in which insurance funds are invested, this alone represents a wide diffusion of ownership.

WE have as yet to complete or dragnet investigation that can show all the facts regarding the increased number of investors in the shares of corporations. Several independent inquiries have been carried on, each of which covers a part of the field. They are sufficient to show a phenomenal increase in the number of small investors in corporate securities. We must, of course, be on our guard lest we infer too much from these figures. Even if there were no increase at all in the total number of investors, if each investor scattered his investments, the result would be an increase in the number of shareholders in any individual corporation. There it, however, abundant evidence to show that the apparent diffusion of ownership of our great corporations today is not simply apparent but real. A considerable number of large corporations show that thousands of wage-workers who were never corporate owners before are becoming owners. There is also evidence to show that many small investors who are not wagers are, for the first time in their lives, investing small sums in the shares of corporations.

IN May, 1924, the "Financial World" published the results of a questionnaire sent to one thousand of the leading corporations of the country for the purpose of finding out to what extent their shares were held by employees. The returns were incomplete, but there were positive statements from 104 that employees below the grade of officials owned stock. Many of those corporations that did not reply are known from other sources to be in this class.

The Policyholders' Service Bureau of the Metropolitan Life Insurance Company issued a report in August, 1923, on Employees' Thrift and Savings Plans. This report shows that employee stock ownership is much more widely spread than had been suspected. In one large motor company 94 per cent of the employees had purchased stock. In a large soap manufacturing company 60 to 85 per cent of the employees own \$1,600,000 worth of stock.

In a book entitled "Labor's Money," by Richard Boeckel, there is a chapter on "The Workman as Stockholder," which cites a large number of other cases where employees are purchasing stock, sometimes running up into the tens of millions of dollars.

An article in the "World's Work" for January, 1925, by ex-Secretary Houston records still other cases. He gives some detailed information regarding investments in the shares of the various telephone companies. The purchasers are classified according to occupations. The largest number are classed as laborers, the second largest as housewives. In the total number of shares purchased housewives lead, and laborers come second with 81,182 shares, while manufacturers come third and clerks fourth.

In an excellent article on the "Distribution of Corporate Ownership in the United States," by H. T. Warshaw, in the "Quarterly Journal of Economics" for November, 1924, it is stated that, whereas in 1900 there were 4,400,000 stockholders in American corporations, there were 14,400,000 in 1922 — an increase of over 300 per cent. It is shown also that there has been a shifting of ownership from the wealthy few to the middle and wage-earning classes.

The evidence seems conclusive that industries are coming to be owned more and more by large numbers of small investors. There is no method of determining precisely how many of these are wage-workers. In numerous individual cases corporations can state the number of their own employees of the wage-earning class who have bought shares. It is known that the total number of such industries run up into the millions, but that is about all that can be said.

The important thing, however, is not that laborers should invest in the shares of corporations for which they work. The important thing is that they should become investors or property-owners of some kind. It cannot be too often repeated that in this democratic country laborers are exactly like everybody else and are entitled to the same advice as well as to the same opportunities that are given to others. There is no better reason for advising a laborer to invest in the shares of the corporation that employs him than there is for advising any other small investor to invest in the same shares. If the investment is in itself suitable for people with small savings, the laborer

who happens to work for that corporation may as well invest in its shares as in those of any other. If the corporation has not yet reached that stage of stability and solvency which make its shares suitable investments for small investors, the fact that a laborer happens to work for it should not be given as a reason why he should invest his money there.

IN addition to the accumulation of savings by working-people and the investment in the stock of corporations we have in this country something that is quite unique, namely, the labor bank. The first labor bank was established in Washington, D. C., in 1920, and six months later the Brotherhood of Locomotive Engineers opened a bank in Cleveland. In 1921 two more labor banks were opened, five more in 1922, eight in 1923, and sixteen in 1924. Plans are under way for twenty more, and it has been predicted that by the close of the year 1925 there may be as many as seventy-five in operation. This movement is developing so rapidly that figures are out of date before they can be verified and published. Mr. Warren S. Stone, President of the Brotherhood of Locomotive Engineers, is authority for the statement that "the saving power of American workingmen is so great that, if they would save and carefully invest their savings, in ten years they could be one of the dominating financial powers of the world."

TO a certain extent this diffusion of ownership among laborers, customers, and the general public has been deliberately promoted by corporation managers. To a certain extent also it is probably a result of the thrift campaigns that were carried on during and immediately after the Great War. There is, however, no reason for doubting that it is to a certain extent a result of the fact that the manual workers have more money available for investment than they used to have. Prohibition may help to account for that. Even if it were wholly the result of stock-selling and thrift campaigns, one exceedingly pertinent and consoling remark might be made. These bond-selling campaigns have not as yet been very widespread or long-continued, but some striking results have already been achieved. The thrift campaigns were brief and not very efficiently staged, and yet there has been a great increase in thrift. If such mild efforts toward the promotion of thrift and investment can produce such striking results, what might not be accomplished by a better organized and more persistent propaganda?

Let us compare this propaganda for economic sanity and its results with the floods of radical propaganda in favor of economic insanity. For years our laboring classes have been flooded with radical literature of every tint. Radical doctrines have been dinned into their ears incessantly. Those who were familiar with the extent and the intensity of this propaganda have wondered how a laboring man could ever keep his head or

think in a straight line. That the American workingman was not utterly bewildered and demoralized is evidence of his fundamental soundness of heart and mind.

In spite of two generations of incessant propaganda in favor of radicalism, the American laboring men have not become radical. In spite of the efforts of their radical leaders to deliver the labor vote to radical candidates, the radical candidates do not get the labor vote. The propaganda in favor of thrift and investment has not been one-tenth or one-hundredth part as voluminous or intense as the propaganda of radicalism, and yet it has accomplished greater results in ten years than radicalism has accomplished in fifty years.

“*Sanity* reigns, and the Government at Washington still lives!”

In forthcoming issues of *The Outlook* Dr. Carver will consider the strategy of labor and the kind of leadership that the coming revolution in America calls for

OUTLOOK / 22 April, 1935

The New Owners of Industry

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IF all the vast sums that have been accumulated and are now being accumulated by American laborers in the form of savings deposits, life insurance policies, trade-union dues, payments to building and loan associations, and in labor banks were invested in the common stock of a few great business corporations, the laboring men of the United States could, if they really wanted to, soon own a controlling interest in many of these corporations. On the other hand, it is not altogether desirable, even from their own point of view, that they should do so. What the laborers really want, if they know their own interest, is the very best management that can be secured for these industries. It is only by superb management that any industry can expand the general expansion of all our industries depends upon getting the most superb management that can possibly be secured. If the laborers themselves can secure this well and good; but it is going rather far to assume that they could in a very short time acquire enough knowledge of and experience in the managerial problems to do this. Meanwhile, the best advice that any one can give to laborers is to assume that they are just like other people and do not need advice that differs from what one would give to other people. That advice would undoubtedly be to invest, all things considered, where there is the best chance of getting something back on the investment.

There are dishonest ways, of course, of getting possession of corporations. One way is to gain possession of the Government and use its power to dispossess the present owners. This is frankly advocated by some of the Guild Socialists. People, however, who never had enough thrift and forethought to buy and pay for property in the first place seldom have enough to keep the property up after they have gained it in some other way. When it runs down, there will be nothing to steal with which to keep up repairs. This the Bolsheviki have already discovered to their discomfiture.

If laborers want to own the shops in which they work, there is an honest way. It is the way by which they may own the houses in which they live, their clothes their household furniture, or anything else that they have not themselves made. That is, to buy and pay for them as other people do. This is the method by which manual workers have always become the owners of their tools. The joint-stock method of ownership is merely an adaptation to modern conditions. Even if they could take possession of the shops by force, they could only get repairs and replace worn-out plants by the method of purchase. There is no sound reason why they should gain possession of existing shops in any other way.

One of the strangest examples of the perverseness of the human mind is the tendency to make "misstatements," or to accept without challenge the misstatements of others, regarding the relation of the worker to his tools. One of these misstatements is that the industrial revolution of the eighteenth century deprived manual laborers of the ownership of their tools. Of course it is impossible to deprive a person of ownership of something which he never owned. The new tools that came into existence with steamdriven machinery never were owned by manual workers. For the first time in history they are in process of becoming in this country largely the property of those who work with them. In this connection it is fair to ask. How did the manual workers of an earlier day become the owners of their tools? The answer is that they either made them themselves or they bought them, usually the latter. The present tendency toward the purchase of shares in industrial plants is an application of the same method to modern conditions.

ANOTHER misstatement is that through Government ownership the workers would become, in effect, the owners of the plants in which they work. The employees in the City Hall do not own the City Hall nor do they feel that they are working for themselves; the public school teachers do not own the school buildings, nor do they feel any more interest in their work than the teachers in private schools. The employees of the Federal Government do not own the buildings or the navy yards in which they work. Moreover, the employees themselves in these publicly owned plants do not feel that they are working for themselves or show any more interest in their work than do the employees in capitalist-owned plants.

A third misstatement is to the effect that property in tools, machines, and industrial plants differs fundamentally from property in dwelling-houses, furniture, clothing, cooking utensils, and other things commonly classed as consumers' goods. If it is found desirable that any class should own its own dwelling-houses, household furniture, or clothes, the method of purchase is open. If it is found desirable that another class should own the land, live stock, and farming implements with which it works, the method of purchase is alike open. If it is found desirable that still another class should own the factories, shops, tracks, or rolling stock with which it works, the method of purchase is open in this case also. When these various people buy the property in which or with which they work, they acquire a genuine ownership, and they will at once realize a significant difference between this and Government ownership.

Another misstatement is to the effect that modern industrial plants are too big to be owned by their own workers. The joint-stock form of business organization was not designed primarily for the benefit of manual workers, but it would not have been much different from what it now is if it had been. Neither State Socialism, Guild Socialism, Sovietism, nor the ordinary co-operative society presents a plan of organization so well suited to the needs of workers who desire to own their own plants as does the joint-stock corporation.

LABORERS, however, like every one else who has small sums to invest, should be advised to invest with a view to safety rather than with a view to owning a controlling interest in the plants in which they work. In fact, there is something to be said in favor of the wage-earner's investing in some other plant than the one in which he works. If the plant should close down and the company become bankrupt at the same time, he would lose both his job and his investment. If he had invested his money in it; whereas there would be less likelihood of losing both at the same time if he had invested in another plant. However, he should not invest in any plant, either the one in which he works or any other, unless it is so old and well established as to reduce the probability of bankruptcy to the minimum. The order of his investments should be, first, a savings deposit; second, insurance; third, the safest investment he can find; fourth, if he has anything more to invest, he may try new and promising investments. Of course, some one must invest in the securities of new and untried companies otherwise no new and untried companies could ever be financed. But such investments are for men who have large sums to invest and who can give their whole time to the problem of investments, and can therefore acquire some expertness in this field.

It is noticeable that the companies that have been most successful with the policy of

employee ownership are precisely those that have achieved the greatest stability and whose securities are among the safest on the market. Their securities as a rule make good investments for laborers whether their own employees invest in them or not. A number of companies have had unsatisfactory experience with the plan of employee ownership precisely because their securities were not proper investments for people with small means. In a number of cases that have been reported, after laborers were persuaded to buy stock, the stock has declined in price. Then the company has felt bound to repurchase the stock or been forced to do so in order to allay hostility.

INSTEAD of advocating that large undertaking be taken over by the Government and small ones left to private enterprise, it would be better to advocate employee ownership of those undertakings that are so stabilized as to make success practically certain, deeding only on sound and honest management, leaving to the speculative investor and promoter the experimental work of building up new enterprises. As soon as any of these become thoroughly stabilised laborers could then be encouraged to buy them out, thus relieving the speculative capital for still newer enterprises. In this way the old and well-established industries would be owned by the workers, which is very much better than Government ownership and politician operation, and ought to satisfy those who think that workers should own the tools with which they work.

Every time the laboring people of this country materially increase their savings and sound investments they are helping themselves in two distinct ways. In the first place, they are gaining a new source of income. Even \$100 that brings 4 per cent adds \$4 a year to the saver's income. In addition to this, and perhaps more important, is its effect upon the labor market. The more capital there is seeking investment, the more easily can new and productive enterprises be financed. The more new productive enterprises are property financed and put in operation, the more jobs there are calling for men, the higher the wages of labor will be, or the less unemployment, there will be. Laborers are beginning to appreciate this and to engage in what may be called the higher strategy of labor.”

MR. A. K. BAYLOR, of the General Electric Company, states:

“Within the last few years the plan of so-called ‘customer ownership’ has been introduced by the electrical utility companies, their securities being sold to customers on the lines and on installments if desired. This plan has been applied, not only by the electric light and power companies, but also by the telephone and other public services.

“Now electrical utility securities are as a class the most popular in the financial

markets, but the economic advantages of customer ownership and the response to this method of distribution have been to thoroughly demonstrated that it is being continued and must be extended even beyond available preferred-stock issues. If necessary to meet the demand. Such distribution is leading to direct public ownership — real ownership by the public — each in his own right, as against collective political ownership with its attendant wastefulness and inefficiency.

“The insurance companies and in many cases the banks have large interest in the railroads and other utilities. It is estimated that there are 50,000,000 direct or indirect insurance policyholders and beneficiaries. It must be driven home to the public that when they support municipal or other political ownership or join in any movement inimical to these utility enterprises they are actually assisting in an attempt to destroy the security of their own hardearned savings, deposited in the banks or invested in insurance.

“The customer-ownership fashion is spreading and is being followed in other industries. We are on the way to becoming a nation of capitalists, and the electrical industry is the most outstanding factor in the movement.”

Dr. Carver’s concluding article in his discussion of the Coming Revolution in America is one on the leadership which this Revolution demands

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The Higher Strategy of Labor

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THERE are two distinct types of leadership in the world. One type — and this is always the most numerous — strives for leadership by appealing to the worst that is in human nature, namely, the belligerent, rancorous, and covetous feelings. It goes before the people and tells them a great deal about their rights, their wrongs, and their grievances: but tells them nothing about their opportunities and their obligations. It stirs up envy and hatred rather than the spirit of mutual understanding and co-operation. The other and less numerous type tells the people a great deal about their opportunities and obligations, and nothing about their rights, their wrongs, and their grievances. The one exploits the wrongs and the grievances of those to whom it is talking, and denounces the sins of other people who are not present to defend themselves or to state their case. The other talks to the people about their own duties

and about what they owe to themselves, to society, and to the world.

THE results of one type of leadership are resentment, envy, and covetousness. The results of the other type of leadership are a deepening of the sense of duty and a wider knowledge of opportunities. The one kind is the work of demagogues, though they usually pose as heroes. The other is the work of men of courage and conviction, though they do not pose as such. It does not take any courage, for example, to talk to laboring men about the sins of capitalists, or to capitalists about the sins of laboring men. It does take a good deal of courage to talk to either class about its own sins and its obligations to other classes.

By way of illustration, let us look at the case of the Negroes of the South. They undoubtedly have their rights, their wrongs, and their grievances; and there are plenty of leaders to tell them about such things and to stir up the feeling of envy and resentment. They also have their opportunities and their obligations; and they had Dr. Booker T. Washington to talk about these things.

The writer suggests an experiment to any reader who is in doubt as to which of the two types of leadership was represented by Booker T. Washington, Abraham Lincoln, or any of the other really constructive leaders of the world, not excluding even the Founder of Christianity.

Let him take a sheet of paper and rule it in two columns. Then let him make a careful study of the recorded utterances of Booker T. Washington. Let him put in the left-hand column every citation in which Dr. Washington said anything to any Negro or group of Negroes that was calculated to stir up bad feeling. Let him put in this column everything that he told them about their grievances, their wrongs, and even their rights. In the right-hand column let him put every citation in which Dr. Washington told the Negroes to whom he was speaking of something that they could do for themselves and of what they owed in the way of duty and obligation to society, to the Nation, and to civilization. Then let him make a comparison of the two columns.

On another sheet of paper, ruled in the same way, let him record the results of a similar study of all the published utterances of Abraham Lincoln. Let him put in the left-hand column every citation in which Lincoln tried to stir up bad feeling or resentment. Let him put in this column also every citation in which Lincoln told the people whom he was addressing anything about their rights, their wrongs, or their grievances, either real or imagined. In the other column let him include every citation

in which Lincoln tried to conciliate and bring about a better understanding, and in which he told the people whom he was addressing something about their opportunities and their obligations. Having done this, let him compare the two columns.

If the reader is interested in going further with this experiment, let him rule a third sheet of paper in the same way, and proceed to record the published utterances of the Founder of Christianity, putting again in the left-hand column every citation in which he tried to create bitterness of feeling or to stir up resentment, or in which he told the people whom he was addressing anything about their rights, their wrongs, or their grievances. In the other column let him include every citation in which he told the people of their opportunities and their obligations. He will see a great similarity among the three sheets of paper. He will find the left-hand column either absolutely blank or almost blank, and the right-hand column full.

Then let him try the same experiment with any three of the raucous leaders of popular discontent of the present day, and let him compare these three sheets with the other three. Of course the leaders who are the subject of the second study and whose records are found on the second group of three sheets pose as the leaders of discontent. They and their followers will resent this comparison. They will claim that the purpose of such a study as is here proposed is to allay discontent and to ally the readers and all moral agencies, including the churches, against the forces of discontent. This would not be an accurate statement, however, because there are two distinct kinds of discontent. It all depends on which kind of discontent one has in mind. The purpose of the leaders of the constructive sort is to create discontent of the right sort as truly as it is the purpose of the destructive group to create discontent of the wrong kind.

THERE is one kind of discontent that is based on egotism and supreme contentment with self. There is another kind of discontent that is based upon modesty, self-criticism, and discontent with self. If I am a supreme egotist and so thoroughly contented with myself as to be utterly unable to imagine that I can possibly be in the wrong, I am absolutely certain to be very much discontented with other people, with society, with the industrial system, and with the world in general, especially if I think I am not treated as well as I ought to be treated. The destructive kind of leadership flatters this kind of egotism and stirs up this kind of discontent. It is very safe to be this kind of leader. On the other hand, if I am sufficiently modest and given to self-criticism to be able to see my own faults and not to be infuriated when they are pointed out to me, I may become discontented with myself, with my own morals, my

own education, my own industry, my own thrift, my own wisdom, my own constructive achievements. I belong to the discontented class but my discontent is the kind that begins at home — where other good things begin. I am then ready for progress. I can respond to the kind of constructive leadership that was achieved by Booker T. Washington, Abraham Lincoln, and the Founder of Christianity. There is hope for me and for every one else who is in the same mood. A nation made up of such people will be a very progressive nation. This progress when it comes, will be the result of discontent, but it will be discontent of the right kind. It is the only kind of discontent that ought ever to be called divine.

Labor leaders may be grouped in the same classes as those we have described. The destructive leaders are still engaged in the immediate strategy of battle; the constructive leaders are thinking and acting and speaking in terms of the higher strategy. The destructive leaders merely give expression to the primitive, fighting instinct that would destroy whatever irritates it or appears in the moment of passion to be an enemy; that encourages a man to break a chair against which he has stumbled, to throw clubs at his chickens if they do not come when they are called, to engage in other perfectly natural but perfectly futile activities. The constructive leaders are those who think ahead and try to get their followers to act in accordance with far-sighted wisdom rather than in accordance with sudden passion.

A CONSTRUCTIVE programme in behalf of the laboring classes should, of course, include many things that we have already been doing in this country. The prosperity that has come to the laboring classes in America, as compared with that in other countries, would be an economic miracle if there were not some sound reasons for it, and miracles do not happen in the economic world.

First and foremost, there should be a keen discrimination between predatory and productive methods of getting a living. If we can bring it about that no one can ever get anything for himself without contributing an equal amount to some one else, we shall, of course, have achieved the motto, “He that would be great among you, let him be your servant.” The country that can make every citizen feel that he will prosper in exact proportion as he contributes to the total prosperity — such a country has achieved the first and fundamental condition of prosperity for all classes and occupations.

Another item in a constructive labor programme almost as fundamental as the one

already described is a system of popular and universal education.

To begin with, if any young person is compelled to do a less useful work when he might, had he had the proper training, have done a more useful work, something definite is subtracted from the possible prosperity of the country as a whole.

We should not be satisfied with merely training men and women for the skilled manual trades, or even for the ordinary white-collar jobs. We should be prepared to train men to rise as high in the social and economic scale as their inherited capacity will permit them to rise.

Incidentally, prohibition is probably contributing something not only to the general prosperity but to the diffusion of prosperity as well. One might observe, parenthetically, that the silliest argument that could possibly be uttered in behalf of labor is that the present prohibitory law is unfair to labor inasmuch as it permits the wealthy classes to buy bootleg liquor and makes it difficult for the laborers to get it. Those laborers who know their own interest are very thankful that this is true. Every constructive labor leader of the country realizes this and is frankly either for the strict enforcement of the prohibitory law or for some other measure that will reduce the evils of drink.

ANOTHER factor in the increase of general National prosperity, and also in the wider diffusion of wealth, has been the democratic idea that any useful occupation is respectable. The idea inherited from the militant type of society that business was less respectable than the profession of arms, politics, law, medicine, or theology has had no place in this country except among a small and negligible minority of sentimentalists. The attempt of radicals to associate the word bourgeois with all that is evil and repulsive is a mere perpetuation of that old and aristocratic idea. The bourgeois is merely the man of peace. The man who tries to get what he wants either by producing it himself or by bargaining with other people. There are not many ways of getting what you want, and the other ways are all a little less respectable even than bargaining.

Now it happens that one of the scarcest factors in the expansion of any industry is organizing and directing talent. When this is abundant, it has the same effect on the demand for labor that an abundance of sugar has on the demand for cranberries. A really constructive programme in the interest of labor is one that would encourage the very smartest men in the country to go into business. The more Henry Fords there are

in business, the more demand there will be for labor. Where democratic traditions prevail and all useful occupations are regarded as equally respectable, where there is no prejudice against the bourgeoisie, where laborers themselves encourage men to go into business because they see that it will be good for labor if they do, there you will find excellent conditions for labor, high wages, and all that laborers want in great abundance.

ANOTHER factor in the constructive labor programme is the increase in the supply of capital. If the laborers themselves are thrifty and careful to invest their savings in productive industry, that in itself helps to increase capital. In a country where labor leaders write books on the fallacy of saving, where they talk about the peculiarity of the capitalist system, where they imagine that the way to increase wages is for everybody to consume up to his capacity, leaving no one with a surplus to invest in new inventions and new industries, in a country where the general attitude of labor is one of hostility to capital and capitalists there will be comparatively little capital accumulated and little industrial expansion. Such labor leaders are doing injury to laborers and are not helping them. In a country, on the other hand, where labor leaders encourage thrift and wise investment among their people, where they encourage the development of institutions for the accumulation and investment of savings, there all of the factors in industrial expansion will exist in great abundance.

A few years ago some college students asked the writer what he thought was the largest field for social service now open in this country. He replied, investment banking. Because billions of dollars of savings are wasted in bad investments, there are fewer industries running successfully than we might have, there is less demand for labor than there might be, and lower wages and more unemployment than we should have. If a large number of college graduates should study the problem of investment and become wise and sound investors, it would save a great deal of waste. Capital does not automatically find a wise investment; it finds it because it is directed by a wise investor.

IT is to the interest of labor that as large a number of talented men as possible should go into business; that these men should have available as large a supply of capital as possible; that there should be as many wise investors who know how to pick the right kind of men to back with their investments. It is to the interest of labor that capital shall increase as rapidly as possible. This will not only equip the existing number of laborers more abundantly, thus increasing their protective power; it will tend to lower the rate of interest. Labor will thus gain twice. It will gain in common with the

country in general, through the increased productivity of industry; it will gain again by getting a larger percentage of this increased product.