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BY PETER F. DRUCKER

THIS war is being fought over the structure of industrial society—its basic principles, its purposes, and its institutions. It has one issue, only one: the social and political order of the entirely new physical reality Western man has built up as his habitat since James Watt invented the steam engine almost two hundred years ago. Nothing shows this more clearly than the fact that this is the first war which is really fought as an industrial war—a war in which industry is not an auxiliary but the main fighting force itself. It is true that the First World War became an industrial war in its final stages. The great “matériel battles” of 1917 and 1918 were industrial battles. Yet the last peace was not an industrial peace, and the social organization of the Western world afterward did not solve the problem of the industrial society; it did not even attempt the solution. During the war it was still possible to look upon the industrial system and its social organization as mere subsidiaries.

Not only were machine guns, airplanes, tanks, and automobiles handled and mishandled as mere auxiliaries in the traditional pattern of infantry warfare, but the basic social unit of warfare was maintained in a form which mirrored the feudal organization of society: the company in which there is no division of function and skills, and which can trace its history back to the times when the squire rode out to war accompanied by his tenants and villeins on foot.

Today the industrial machines of war are autonomous and the center around which everything else is built; the infantryman has become the subsidiary source of power. And the social power-relationship of the pilot and the crew of a bomber plane or of the tank commander and his men is that of the foreman and his gang on the assembly line, based as much upon a hierarchy of skills and function as upon a hierarchy of command. The social difficulties in every army today—the inability to maintain the old form of discipline, the old system of promotion, and the old ranking according to seniority instead of skill—are simply expressions of the fact that the old pre-industrial society of the army is incapable of organizing and mastering the new industrial social reality. And just as in every army today the old social forms give way to new ones—a change which has been most drastic in the Nazi army and to which this army owes much of its fighting strength and morale—in every society the old social forms of a pre-industrial age will have to give way tomorrow to the new forms of an industrial society. Every historian knows that it was the necessity to organize armies on the new social pattern of the French armies which forced Prussia and Austria during the Napoleonic wars to accept the basic social principles of the French Revolution. Every historian of tomorrow will see that it was the need to organize our war effort on the basis of the industrial system which will have forced our generation to develop an industrial society. It is the privilege and the responsibility of our generation to decide on what principles this society is to be based.

II

The physical reality in which the overwhelming majority of the five hundred million people on the European and North American continents live is that of an industrial world. Few of us could live a single day without the products, services, and institutions of the industrial system. Everything in our lives is shaped and determined by it. Most of us depend upon it directly or indirectly for our livelihood. Its social problems are the basis of our most serious individual problems, its crises are direct attacks upon our individual security and our social stability, its triumphs are our proudest achievements. But do we have an industrial society?

Unless we are to assume that the term "society" has lost all meaning, the answer to our question is anything but obvious. That man must have a society, only the philosophical anarchist disputes; even he does not seriously contend that man could live entirely without society. But that man has to have a society does not necessarily mean that he has it. Least of all does it mean that the physical reality most in evidence is that of his society. Take Robinson Crusoe and his Man Friday. Undoubtedly they had a society; nothing is more ridiculous than to see in Crusoe the isolated, individualistic Economic Man. They had social values, conventions, disciplines, taboos, powers, et cetera. And this society was not one developed according to the demands of life on a subtropical islet in the Southern Pacific Ocean, but basically the society developed by Calvinist Scotsmen on the cold shores of the North Atlantic. What is so marvelous about Crusoe is not the extent to which he adapted himself, but the almost complete absence of adaptation; had he been of a different class and a different time, he would have dressed for dinner every evening. Here we have a case of a successful social life built on the values and concepts of a society completely different in its physical reality and problems.

We cannot simply say that we must have an industrial society because men need a society and because we have an in-

dustrial physical reality. Social life cannot function without a society, but it is conceivable that it does not function at all. The evidence of the last twenty-five years of Western civilization hardly entitles us to say that our social life functioned so well as to make out a *prima facie* case for the existence of a functioning society. Furthermore, the social organization of a physical reality can be based on values, disciplines, ideals, conventions, and powers which belong completely to another social reality and to another society. In that event we could not say that there is no society. But surely, if we should find that the social organization of the physical reality of industrialism is based upon non-industrial ideals, values, conventions, powers, and disciplines, we would not call such a society an "industrial society," just as we would not call Crusoe's society "Chilean"—which it was physically—but Scotch Puritan—which it was socially and politically. Such a non-industrial society may conceivably master an industrial reality as successfully as Crusoe's Scotch society mastered Juan Fernandez. But we would have to investigate closely before we could say that it is an adequate solution, that a non-industrial society is indeed a functioning society for an industrial world.

Undoubtedly a society can both exist and function as free or unfree, as a good or a bad society. Freedom or goodness decides about the desirability, not about the existence or stability of a society. It is simply a fact—though a deplorable one—that unfree or bad societies have historically shown as much stability or strength as free and good ones. And it is also a fact that a free society which does not function has always given way and will always give way to an unfree society which works. Hence these questions are undoubtedly our starting points: What makes a society? What constitutes success and failure for a society?

To define society is as impossible as it is to define life. But though we do not know what life is, all of us know without difficulty when a living body ceases to live and becomes

a corpse. Similarly the impossibility of a normative definition of society does not prevent us from understanding society functionally. No society can exist, that is, function as a society, unless it gives the individual member social status and function, and unless the decisive social power is legitimate power. Without social status and function for the individual there can be no social order; without legitimate power there can be no social organization. The former establishes the basic frame of social life, which is the purpose and meaning of society. The latter shapes the space within the frame: it institutionalizes society and makes it concrete. If the individual is not given social status and function, there can be no society but only a mass of social atoms without aim or purpose, colliding, or paralleling each other's course senselessly. Unless power is legitimate there can be no social fabric, only a social vacuum held together by slavery.

The criterion of the position of the individual offers the most satisfactory starting point for any analysis of society, for social status and function of the individual provide the pattern for the relationship between the group and the individual member, for the integration of the individual into the group and of the group with the individual. Social status and function make meaningful the individual purpose in terms of the society and the social purpose in terms of the individual, and thus make individual existence comprehensible and rational from the point of view of the group, and group existence from that of the individual.

From the point of view of the individual, society is meaningful only if its purpose, aims, ideas, and ideals make sense in terms of the individual's purpose, aims, ideas, and ideals. This means that there must be a definite functional relationship between individual life and group life. This relationship may be an identity of purpose under which there would be no individual life other than social life, and under which the individual would have none but social aims. It is just as possible to have an identity of purpose and life under which

there is no group purpose and no social life except in individual purpose and individual life, or no identity of purpose and aims at all; even the assumption of an all-out conflict between social and individual purpose provides a workable, that is, a functioning relationship, and in actual experience there have been many functioning in-between positions.

But that the individual must have definite social status in society does not mean that he must have a fixed social status. To identify "definite" with "frozen" was the great mistake of the early nineteenth century liberals of the type of Bentham. It was a tragic misunderstanding leading to a social atomism which repudiated social values altogether. Of course, a society *may* function on the basis of a fixed status and function for the individual. The Hindu caste system is the expression of a definite functional relationship between the group and the individual which integrates them in a religious organization. It obtains its rationality from the doctrine of perpetual rebirth until complete purification; and on that basis even the Untouchables have a social status and function which makes society and their individual life in it meaningful to them, and their life meaningful and indeed necessary to society. It is only when this religious creed itself becomes meaningless that the Hindu system loses its rationality for both individuals and society.

In the society of the American frontier with its complete fluidity of social status, the individual had just as much definite social status and function as the Untouchable or the Brahmin in the Hindu society with its absolutely rigid castes. It may even be said that few societies ever succeeded so perfectly in integrating its members in a functional relationship between individual and group as the frontier of Jackson and Henry Clay. What counts is that the status is definite, functionally understandable, and purposefully rational, not whether it is fixed, flexible, or fluid. To say that every boy has an equal chance to become President is just as much a definition of a functional relationship between group and in-

dividual as it is to say that the individual is born only so that he may try to escape being reborn in the same caste. In the society of the American frontier it was actually fixed status—the European nobleman, the Bostonian patrician, the Virginia slave owner, the Catholic priest—that did not make sense, that seemed irrational as well as potentially and actually dangerous; only fluid status made sense, only fluid status was definite and definable social status.

III

It will be clear from the foregoing that the functional relationship between the group and the individual in any given society depends upon the basic belief of this society regarding the nature of man. Man may be thought of as free or unfree, equal or unequal, evil, perfect, perfectible, or imperfect. The fulfillment of man may be believed to come in this world or in the next, in immortality or in the final extinction of the individual soul which the religions of the East preach, in peace or in war, in economic success or in a large family. Society's theory of the nature of man determines the purpose of society; its theory of his fulfillment determines the sphere in which realization of the purpose is sought.

The same basic beliefs underlie the legitimacy of power. Indeed, legitimate power can be defined as that institutional organization of society which finds its justification in the basic ethos of the society. And the only difference between the functional criteria of social status and function of the individual and that of legitimate power is a difference in approach. The first criterion deals with the relationship between the individual member and society, the second with that between the members within society. More specifically, we speak of legitimate power when the people who exercise that decisive power which we call rulership derive their claim to power from a basic ethical purpose which has been accepted by society, and then only when they exercise it through institutions which promise fulfillment of this pur-

pose. In every society there are a great many powers which have nothing to do with such a basic principle, and a great many institutions which in no way are designed for its fulfillment. In other words, there are always a great many "unfree" institutions in a free society, a great many inequalities in an equal society, and a great many sinners among the saints. But as long as the decisive social power is based upon the claim of freedom, equality, or saintliness, and is exercised through institutions which are designed for the fulfillment of these ideal purposes, society can function as a free, equal, or saintly society, and its institutional structure is one of legitimate power. Theoretically, it is conceivable that there could be a society in which all powers except one would be illegitimate in terms of our definition; yet this society would be one of legitimate power if the one exception is the decisive power. And in actual social reality there have been many societies where all powers were legitimate except one; yet the society had no legitimate power since the illegitimate power was the decisive one. We shall see later that this comes very near being an accurate description of our industrial society.

It should be understood that legitimacy is a purely functional concept. There is no absolute legitimacy, only a relative one in relation to basic social beliefs. What constitutes "legitimacy" is a question that can be answered only in terms of a given society. Legitimate power is one which is justified by an ethical or metaphysical principle that has been accepted by the society. Whether this principle is good or bad ethically, true or false metaphysically, has nothing to do with legitimacy, which is as indifferent ethically and metaphysically as any other formal criterion.

Failure to understand this was responsible for the confusion which made "legitimism" the name of a political creed in the early nineteenth century—a confusion so complete that some readers may well have thought I believed that society could function only under absolute monarchy when I said that social power has to be legitimate. Legitimate

power is nothing more than socially functioning power; but why and to what purpose it functions is a question entirely beside the point.

But—and here we come closer to the real meaning of legitimacy—no illegitimate ruler can possibly be a good or wise ruler. Illegitimate power invariably corrupts; for it can only be “might,” never authority. It cannot be controlled, limited, responsible, or rationally determinable. And it has been an axiom of politics—ever since Tacitus in his history of the Roman emperors gave us one case study after another—that no human being, however good, wise, or judicious, can wield uncontrolled, irresponsible, unlimited or rationally undeterminable power without becoming arbitrary, cruel, inhuman, and capricious—in other words, a tyrant. Illegitimate power is a power which does not derive its claim from the basic ethos of the society, and which does not justify itself as instrumental in the realization of this basic ethos. It is impossible to decide whether the ruler wielding the power is exercising it in conformity with the purpose of power or not, for there is no social purpose. Therefore illegitimate power is by its nature uncontrollable. It cannot be made responsible, since there is no criterion of responsibility, no socially accepted final authority for its justification. And what is unjustifiable cannot be responsible. For all these reasons a society in which the socially decisive power is illegitimate power cannot function as a society. It can only be held together by sheer brute force—tyranny, slavery, civil war. Of course, force is the ultimate sanction of every power; but in a functioning society power is exercised as authority; and authority is the rule of right over might. Only a legitimate power can command that social self-discipline which makes organized institutional life possible. Illegitimate power, even if wielded by the best and wisest, can never depend upon anything but the submission to force. And on that basis a functioning institutional organization of social life cannot be built.

What have we proved so far? That a society cannot function unless it gives the individual member social status and function, and unless its socially decisive power is legitimate power. This may be called a "pure theory of society." Like all "pure theories" it is exclusively formal. It says nothing about the content of a society, about freedom, religion, equality, justice, individual rights, progress, peacefulness, and all the other values of social life. And to think, therefore, as a great many social efficiency engineers think today, that functioning is all that matters in social life, is a complete misunderstanding of the limits and the importance of sheer efficiency. In itself functional efficiency is nothing unless we know the answer to this question: Efficiency to what purpose and at what price?

Though I cannot, therefore, dissociate myself sharply enough from the relativists to whom every society is equally good, provided it functions, I cannot agree with those who brush aside the problem of a functioning society and refuse to discuss anything but basic values. It seems to me that the members of this group—we might call them the absolutists—refuse to see that basic values can be socially effective only in a functioning society. They also refuse to see that there is only one alternative to a functioning society, and that this alternative is in itself an evil, not because it is inefficient or non-functioning, but because it can be used only for indisputably evil purposes, for destruction, enslavement, or senseless cruelty. This single alternative to a functioning society is the dissolution of society into anarchic masses.

During the last fifty years there has been developed a completely new myth of the masses, which teaches that the masses are good, the hope of the world, the wave of the future, and the fulfillment of the ages. Not to be enthusiastic about the masses stamped you at once as an "aristocrat" or, worst epithet in the language of yesterday, as a "bourgeois." Originally, all this applied to the "masses" as the "lower orders" of society. It was at first a translation of Rousseau's

perfect "natural man" into the language of nineteenth century economics. And this assertion of perfection for the lower classes was no more serious than an assertion of perfection for any group of human beings: the bankers or the Germans or all whose first names begin with the letter G. That is to say, it was very serious, besides being nonsensical. But though it attacked a particular historical social order, it did at least not deny society. The new creed of the masses, however, glorifies not a particular social class but the society-less, the amorphous, unstratified, unorganized crowd. It is claimed now that the masses are good because they are free from social hypocrisy; they are free because they are beyond social restraint; they are perfect because they are outside functioning society.

The danger does not lie in a "revolt of the masses" as Mr. Ortega y Gasset thought. Revolt is after all a form of participation in social life, if only in protest. But the masses are really completely incapable of any active social participation which presupposes social values and an organization of society. The danger of the masses lies precisely in their inability to participate, in their apathy, cynical indifference, and complete despair. Since they have no social status and function, society to them is nothing but a senseless threat, a demonic, irrational, incomprehensible danger. Since they have no basic beliefs which could serve as a basis for legitimate power, they see any authority as tyrannical and arbitrary. They are therefore always willing to follow an irrational demonic creed, to submit to an arbitrary tyrant if only he promises change. Being social outcasts, the masses have nothing to lose—not even their chains; being amorphous, they have no structure of their own which could resist an arbitrary attempt to shape them; being without beliefs, they can swallow anything provided it is not a social order. In other words, the masses must always fall prey to the demagogue who seeks power for power's sake. They can be organized only by force, for slavery and in negation. The only

alternative is to re-integrate them in a functioning society. Any society which cannot prevent the development of masses is irrevocably doomed.

It is not the fault of the masses that they are masses. It is the fault of the society which failed to integrate them; it is society which does not function, not the crowd. That, however, does not alter the fact that there is no society where there are masses, and that no social purpose can be realized through and by masses.

IV

The most blatant and the most significant social phenomenon in the industrial system of our time has been unemployment. Everywhere it persisted in the face of substantial economic recovery. Even the roaring English boom of 1934-37 did not lead to re-absorption of the bulk of the unemployed; the new industries which sprang up all over South England in those years seemed to by-pass the hard irreducible core of unemployment in the "depressed areas." Temporary depressions and large-scale stoppages of work had been frequent before 1918; but never before was there any chronic unemployment. In previous depressions the re-absorption of idle workers usually occurred in the very first stages of recovery, and it was completed before a reversal of the downtrend began to show in a considerable upward movement of stock exchange prices, industrial profits, or banking figures. But the last depression was different from all its predecessors in so far as it was the first "industrial crisis" and not, as all the earlier ones, a "trade crisis"; its causes were not disturbances of the market, but disturbances inside the industrial structure which were only uncovered but not caused by the market crash of 1929.

Whatever its causes—whether economic or political, too much or too little governmental interference, too much or too little rigidity, too much or too little speculation, too much or too little technical progress—unemployment is not an eco-

conomic phenomenon, but first and foremost a social and political problem.

In our society the social status and function of the individual has been status and function in the economic process, and the relationship between the individual and the group has been determined by the individual's function in the economic life of the group. The unemployed person has no function in this economic life; he is useless and function-less economically. His individual life has no social purpose; and social life fulfills no comprehensible function from the point of view of his individual purpose. His existence is an irrational, incomprehensible one for society; and society itself loses all meaning for him. Yet it must be admitted that mass unemployment during the short acute stage of a depression is neither better nor worse socially than mass injuries and mass losses during a hurricane. Both pass, and normal social life begins anew where it left off. But mass unemployment during recovery or actual prosperity is something quite different from either isolated individual unemployment or mass unemployment during an acute depression. The large-scale and apparently irreducible unemployment during the German "high prosperity" of 1926 and 1927, the unprecedented boom of 1935 and 1936 in England, and the American "full recovery" of 1937 was not only an entirely new phenomenon; it was a most frightening one. For it showed that industrial society even without a catastrophe is incapable of integrating a very large number of individuals.

That the chronic unemployed are social outcasts, that their problems are primarily social and only secondarily economic problems, everyone knows who has ever been in contact with them. It is therefore a major miracle that the industrial countries of the West lived through the chronic unemployment of the 'thirties as well as they did, but it is by no means certain that this destruction of social rationality for so large a part of the industrial population has not caused deeper and more permanent wounds than we suspect. We cannot ex-

pose our society to a repetition of such mass unemployment, not because the unemployed would revolt (they would probably take it as mutely, bewilderedly, and passively as they took it during the past ten years), but because society itself could not stand a repetition. If, after this war, we are not able to prevent a recurrence of large-scale unemployment, we cannot expect to have a functioning society. We would have anarchic masses and a complete demoralization of whatever institutional organization our society has. In this sense, the prevention of large-scale chronic unemployment is the prerequisite to any solution of the basic social and political problems of the post-war industrial society.

Even if we succeed in this aim, however, we shall not have solved the problem of the social function and status of the individual in industrial society. The unemployed are only the most visible, the most unmistakable outcasts; and their re-integration is our most urgent task. Full employment, the first necessity of any non-revolutionary solution, is not a solution in itself. The basic problem in our industrial system is the lack of social status and function for the industrial worker who *is* employed.

The representative method of production in our system is mass production in big units. The big, centralized, concentrated mass-production units may not be quantitatively in the majority, either in number of workers employed or in volume of output. Nevertheless, the recent frequent attempts to use these quantitative measurements for the qualitative purpose of proving that ours is actually still a "small unit" technology are ridiculous in the extreme. It does not matter what the statistical averages are: mechanized, automatic, mass production in big units is the technological form of industrial production which politically and socially matters most. In the first place, it is the new element in our industrial system, and thus the distinguishing and differentiating element which sets off the industrial structure of our times against that of yesterday. Furthermore, the new

system carries all the technological and economic momentum. It is the dynamic force in our technological-economic engine; and in political and social life it is the dynamic factor that counts. Finally, mass production is the socially decisive form of modern industrial production.

If we analyze this representative system of industrial production we find that its new basic feature is not a new use of, or approach to, machinery. There is nothing new in its treatment of the inorganic tools of production. When we call the new system "automatic" or "mechanized," we do not mean that its machines are automatic or mechanical, whereas those of the previous era were not. What has become automatic and mechanical is the worker. The great innovation of modern industry is a vision: a vision of the worker as an efficient, automatic, standardized machine.

It was around 1900 that the whole emphasis of industry changed. Until then, for a hundred and fifty years, the most skilled, the most highly trained worker was the most efficient, the most productive, the most valuable worker. Suddenly, the very qualities which made the good craftsman—initiative, understanding of the process in all its phases—became obstacles to efficiency and productivity. Uniformity, absence of any personal relationship to the work, specialization in one unskilled manipulation, subdivision of the work into particles without comprehensible cohesion—these became the desiderata of maximum productivity and efficiency in the workers.

It may be said that industry in the era before mass production was just as much based upon the unskilled, mechanized laborer as is our present system. All the descriptions of the mills in Manchester, Liverpool, or Glasgow in the early stages of the Industrial Revolution emphasize the almost dehumanized hordes of starved, illiterate, dispossessed semi-savages from Ireland and Scotland who slaved at the early power spindles and power looms. But this was not efficient labor. And every manufacturer in the nineteenth century

believed—though perhaps wrongly—that a more highly skilled, more individualistic worker would be a better worker. Today, however, the automatic, mechanized worker is the most efficient worker; he can be most highly paid since he produces most per unit of labor. Not only are we moving towards the complete mechanization of all but a few workers—a trend greatly accelerated by the depression and the present war—there is also a sentimental value attached to the movement: to go automatic is to be progressive.

The employed worker in mass production industry lacks social status and function as an individual no less than does the unemployed worker. Denial of the existence of an individual with social status and function is really the essence of the new approach which sees in the worker only a sloppily designed machine; to bring this human machine to full mechanical and automatic efficiency, which its Maker apparently failed to achieve, is the main aim of the new science of “human engineering.” But that means that the individual must cease to exist. The new technique demands standardized, freely interchangeable, atomic labor without status, without function, without individuality. It demands graded tools. There is no relationship between this purpose of living as a part of a precision machine, which the present-day industrial system assigns to the worker, and any of the individual purposes of the worker himself. From the point of view of the system, the individual worker functions only when he ceases to be a member of society. From the point of view of the individual worker the society of the mass production age does not and cannot make sense. Whereas the ideal worker in yesterday’s society was the craftsman who had status and function in the productive process, and consequently status and function in society, today the ideal is the automatic assembly line worker. It is significant, too, that he is no longer thought of as inferior; no longer is he the recent immigrant or the social failure, but the standard and model. Being part of a machine, he has no individual status

and function. In a society which integrates on the basis of the individual's relationship to the productive process, the worker cannot be integrated as an individual.

The industrial society just before our present era had not succeeded in giving its members, the industrial workers, social status and function. It could not integrate them; and it was thus not functioning as an industrial society—if functioning at all. The chronic unemployment of the 'twenties and 'thirties was the most apparent, the most clearly visible sign of this. But the position of the employed worker, at least that of the new type of automatized, mechanized, unskilled, assembly-line worker, differed only by degree from that of the unemployed as far as social status was concerned. Neither was integrated in society; neither had a functional relationship between his purposes and those of society; neither could understand society rationally, or be rationally understood by society.

V

Management is the decisive and representative power of the industrial system. If assembly-line mass production is the representative material reality of our industrial civilization, the corporation is its representative political institution. It is in and through the corporation that this material industrial reality is organized socially. The power-relationships of the industrial system are the relationships within the corporation: between worker and management, management and stockholders, capital and labor. And the problems of the corporation are political problems—questions of rights and duties, responsibility and authority, limitations of power and social purpose.

The modern corporation is *not* an economic institution. It is purely a political one. There is not a single function in modern economic life which requires a corporation the way the creation of credit requires a bank. Whether a big plant is individually or corporatively owned makes no difference in its productivity, economic efficiency, or profitability. The

one, the only function of the modern corporation is the separation of legal ownership from physical control.

Before the introduction of the present war economy, the executive of a big corporation in any of the industrial countries had more power over the lives of a greater number of people than most of the political authorities had. The decisions of big-business management with regard to production shaped the lives of millions of people, and ultimately of the whole society. It is not true that in our age economic power has superseded political power. The power is still the same political power it always was. But it is true that decisive political power in the industrial system is today largely exercised in and through managerial decisions, which derives its claim to be legitimate power from its basis in individual property rights. Actually, however, in our industrial system managerial power is neither derived from the property rights of the individual nor controlled by or responsible to the holders of these rights. In the modern corporation the decisive power, that of the managers, is derived from no one but from the managers themselves. It is in the most literal sense unfounded, unjustified, uncontrolled, and irresponsible power.

The stockholder in the modern corporation is neither willing nor able to exercise his legal sovereignty. In the great majority of cases he never casts his vote but signs a proxy made out beforehand to and by the management. He exerts no influence upon the selection or the decisions of the managers. As a matter of fact, for the average stockholder, the attraction of stock ownership over other forms of property lies precisely in its complete freedom from "bother" such as attends other forms of property ownership—the need to make or to confirm decisions, to take a part in management or at least in the selection of management, the need to learn or to understand something about the business; in short, the need to assume some of the responsibilities and to exercise some of the rights of ownership.

It is not correct, as has often been asserted by reformers, that the stockholder has been deprived of his political rights of control and decision by a management lusting for power. The opposite is the truth: the stockholder has thrust away these rights, he has abdicated and cannot be induced to re-assume rights which to him are nothing but burdens. He has even become completely unnecessary, if not in the new and weak, at least in the old and successful corporations. The extent to which many big corporations succeeded between 1929 and 1939 in financing very substantial expansion programs out of internal means without recourse to the capital market is a definite sign that the big and successful corporation can get along without the stockholder.

While American political and economic thinking has been most alert and most understanding of the basic political and social implications of these new factors, actual developments—up to the time of America's formal entry into the war—had not progressed so far in the direction of the divorce of ownership and control as they had in pre-war England and pre-Hitler Germany. In both these countries the decisive power in the corporations had largely passed to a management outside of the corporation: the managers of cartels, industrial federations, and *Spitzenverbände*. The directors of these associations—the British Iron and Steel Federation, the International Steel Cartel, or the German Coal Cartel, for example—determined output and margin of profit. And while these association managers themselves were responsible to and controlled by the managers of the member-firms of the association, they were completely beyond the control of stockholders. Their final managerial power was not only practically—as in American corporation management—but theoretically completely independent of stockholders' control and could in no way claim to have derived its power from the property rights of the individual stockholders. It was pure managerial power, founded on nothing but the absolute and uncontrolled managerial will. In the United States, the

anti-trust laws make such associations illegal. Otherwise, as the N.R.A. experiment proved, they would have been just as popular in this country as in Europe.

Ownership of stock in the modern corporation is no longer in any but the most formal sense property in the corporation. It is simply a legally protected right to participate in future profits in consideration of past services. Nobody buys a share today except as a share in earnings, or as a means of benefiting from an increase in the price of the stock which would follow from the expectation of higher earnings. In other words, the very rights which made a property right—the right of disposition of goods and the right to employ a servant—are precisely what the present-day investor does not want. The fact that there is really no ownership in the assets of the corporation has already found expression in the legal and institutional treatment of the corporation. The most radical legal expression of the change is the Nazi corporation law which treats the corporation as an organic autonomous social entity in which management has direct, indigenous, and sovereign power under the “leader principle.” Yet, although the Nazi corporation law sweepingly renounces and repeals all traditional political assumptions and beliefs regarding the nature and meaning of property, the German stockholders did not seem to think that anything had happened when it was instituted.

In this country nothing so revolutionary has been made law, yet there is good reason to think that the American stockholder would refuse to be perturbed if something similar to the Nazi laws were adopted in this country; he would probably fail to see that something important had happened. Small wonder that both in the United States and in Germany there have actually been corporations owned by no one—not even legally. There were, before the depression, potash companies in Germany which were under the same management and which owned each other without the participation of outside shareholders at all. In the United

States some of the "pyramided holding companies," particularly in the Insull utilities empire, achieved the same end by a combination of "voting trusts," inter-company holdings of shares, and inter-company financing. Yet, although there was no owner, these corporations functioned as corporations, were managed by "duly elected" directors who in turn "appointed" the executive officers; and they undoubtedly had tremendous properties. Could anyone have said who owned these properties? Or was it not true that these corporations owned themselves?

The reality today is that the corporation has become an autonomous social entity in no way different from a city or any other political entity. Legally, this is expressed in the theory of the "going concern" which plays such a large part in American jurisprudence. The corporation is, to use the old term, a body politic, an organism in which the whole is larger than the sum of its parts. Economically, this may be expressed by saying that the economic value and the productivity of the "going concern" are greater than the economic value and productivity of the sum of its parts, so that it is in the economic interest to maintain the identity and organization of the corporation, regardless of the wishes or interests of the individual members. There can be no rights of property in an autonomous organic social entity since it must be conceived as existing independently of its members. There can only be rights against such an entity: claims, and governmental authority. The stockholder today actually only owns a claim; the management exercises authority. But on what basis does this authority rest if there is no longer the basis of individual property rights?

In the first place, the development of the corporation to an autonomous social entity, in which power is exercised by its own authority, means that the discussion between capitalism and socialism has become meaningless—at least in the terms and on the assumptions that have been traditionally used. Both orthodox capitalism and orthodox socialism as-

sume not only that property is a legitimate basis of power, but also that individual property is social power. To both it is an axiom that property is socially constitutive. They differ only on who should own.

But today ownership is not socially constitutive. The form in which property is owned no longer decides who wields the power. We have seen this quite clearly in the two revolutions of our times. The Communist nationalization of private property did not result in the equality which would have followed had the capitalist-socialist assumptions been true. Nor did it result in the disappearance of social power—the famous withering of the state. Actually, it had no results at all. The concentration of power in governmental hands and the totalitarianism of the régime have nothing to do with the nationalization of property.

This has been confirmed by the Nazi revolution, which changed nothing in the property sphere. Yet the Nazis have as effectively abolished private initiative, private social power, and the “free enterprise” system as have the Communists. Nobody at all familiar with the Nazi system would maintain that it is capitalism in any political sense of the word; yet it maintained private property and profits—simply because these institutions do not matter politically in the industrial system. Since the war started, every belligerent country has learned the lesson the Nazis have taught: property does not matter politically. All that matters is control, which is now divorced from property rights.

This does not mean that private property will disappear in the society of the future. On the contrary, it should mean that individual property will be maintained and even that attacks on it will cease. Just as religious freedom became a universally recognized right as soon as religion ceased to be constitutive in Western society, so the right to individual property will become universally recognized and generally granted if it does not carry political power or control. If it is understood that to own a house has as little political mean-

ing as whether one is a Baptist or a Presbyterian, there can be no objection at all to individual property. Governments will be able to promote it, as a matter of course, regardless of their political convictions and program. Property would on our assumption exist as individual property because it had become politically indifferent.

The second conclusion from the development of the corporation to an autonomous social entity power is that the balance system on which the eighteenth and nineteenth century philosophers had based freedom no longer works. The thinkers of the Lockean tradition saw—and correctly—that majority rule and plutocracy rule are both basically tyrannical principles. And they saw that if the majority were checked by individual property rights and the propertied were checked by the popular vote, the resulting balance would maintain freedom. Consequently, the discussions and the struggles in the last two centuries have always been about the relative limits of either source of legitimate power. Today there is no—or very little—power based on individual property. And the wholesale attack of the majority-rule power on the position of economic control can no longer be resisted in the name of individual property.

But in what name can it be resisted? In what name does management today wield its power?

This brings us to the final and most important conclusion of our analysis: the power of corporative management is in no way based upon a fundamental principle accepted by society as a legitimate basis of power; it is not controlled by such a principle, nor limited by it; and it is not responsible to anyone.

Lest I be misunderstood, I had better make clear that this is not an attack upon modern management. On the contrary, I believe that there has never been a more efficient, a more honest, a more capable and conscientious group of rulers than the professional management of the great American corporations of today. The power they wield is theirs not

because they usurped it, but because the stockholder has relinquished his rights and his duties; most of the corporation executives I know are most unhappy in the position of uncontrolled and non-responsible political power which they did not seek but into which they have been pushed. But honesty, efficiency, and capability are not, have never been, and will never be good titles to power. Whether power is legitimate or illegitimate, whether a ruler is a constitutional ruler or a despot—these questions lie altogether on a different plane from that of the ruler's personal qualities. Bad qualities can vitiate a good title; but good personal qualities can never remedy the lack of title. Nor is the despot against his will any less a despot. All that is likely to result from his attempts not to exercise the power that has been thrust upon him is timidity and insecurity, which only aggravate the situation. A good man on an usurper's throne will probably rule shorter and rule worse than the bandit who does not care about the title as long as he has the power; at least the bandit will act and will fight for his power.

The answer is not honest and enlightened despots, but legitimate rulers. The answer to the illegitimacy of present-day managerial rule is not to "turn the rascals out"—there are not many anyhow—but to make the ruling, decisive power of our industrial system a legitimate power.

VI

If it is indeed true that modern industrial society is not a functioning society, how then was the free society of the nineteenth and early twentieth centuries possible? And what has happened to make impossible an undisturbed continuation of the successful social order of the industrial countries before the First World War? The "crisis literature" of the last twenty years centers on this one question, although it was not always clear to the writers that this was the question they were really trying to answer. Many—indeed, most of them—thought that they were investigating economic dislocations

or mechanical defects in international institutions. Some even failed to realize that they dealt with a question of social life, but believed that their problem was one of the good will of one ruler or the mistakes of another. They sought the root of the crisis in the abandonment of free trade or the international gold standard; in the destruction of economic liberty by private monopolies, governmental intervention, or trade unionism; in the growing nationalism of individual countries or in the internationalism forced upon all the world by economic interdependence and modern communications. There were more basic and more convincing answers: the degeneration of religious belief, the lassitude of the citizens in our modern mass democracies, the "flight from freedom."

But the truth is that the correct answer does not lie in what happened to the nineteenth century society. The real answer is that the society of the last one hundred and fifty or two hundred years never was an industrial society: its successful solutions were the solutions of a pre-industrial order; its social integration of the individual was integration on a pre-industrial basis and its legitimate power was not the power that is decisive in an industrial society. The free and functioning society of the last two centuries was a mercantile society which carried a gradually expanding industrial system. For a long time it succeeded in mastering the social reality of industrialism in spite of deep conflicts and innumerable contradictions between the reality assumed by mercantile thinking and the reality of industrial conditions. But today the values, beliefs, and institutions of mercantile society are no longer capable of carrying this industrial system. Today we need an industrial society.

Socially, politically, and culturally, we have been living in a world of pre-industrial institutions, ideals, and beliefs. Though our civilization has become increasingly one of industrial cities, our social forms have remained those of a basically rural society supporting and surrounding commercial towns. We have actually tried to shut out the industrial

reality from our social lives; it appears to us—even to those who are actually engaged in industry—to be sordid, unrefined, and something which must be rigorously kept away from our real values. That so many city children have never seen a cow is generally regarded as a scandal—and rightly so. But that a great many more—especially in Europe—have never been inside a factory and did not, until very recently, ever hear from their teachers or from their parents what went on in a factory, should have been even more astounding; actually, all of us have been accepting it as the most natural thing in the world, precisely because the industrial system was not part of the social order in which we lived.

This situation showed most clearly in England—all the more important as an example since England up to 1914 was the country which served as a model for the social organization and the social ideals of all Europe. England, the most thoroughly industrialized country, in which agriculture had all but disappeared, was also the country in which the mercantile society was entrenched most strongly and developed most successfully. The social ideal of the “gentleman” which governed the nineteenth century can almost be defined as someone who is not connected with the industrial system but lives in a pre-industrial order. It is typical that the concessions which were made socially to the rising urban middle classes was the inclusion of the professional men and of the merchants in the class of gentlemen. First the surgeons and lawyers became gentlemen, then the export merchants, the stock and commodity brokers, the bankers, wholesalers, insurance brokers, and ship owners. But manufacturing never became a gentlemanly profession. As late as 1935 young men of my acquaintance in England preferred a junior partnership in a small insurance brokerage firm to a much better paid executive job in a manufacturing corporation: “City work is at least proper work for a gentleman.”

In its social life England had accordingly but one ideal type and but one social pattern: that of the rural gentry.

In politics this of course becomes even more apparent. Though two-thirds of the English people lived in industrial cities, the county gentry remained the ruling class; the squire and the parson continued to hold the actual power and the "county families" were the main—almost the exclusive—source of parliamentary leaders, cabinet members, senior civil servants, diplomats, et cetera. Even the working class leadership was largely in the hands of the gentlemen. And wherever there were leaders of non-gentry origin—Keir Hardie, Ramsay MacDonald, Lloyd George—they were Scotch, Welsh, or Irish, but not English. The leadership which the gentry gave, the responsibilities which they assumed, the political wisdom which they had accumulated—these were of a high order indeed. Nothing is sillier than the propaganda attempts to show the squirearchy and the Old School Tie class as reactionary usurpers. They had the same amount of stupidity, greed, short-sightedness, and lust for power as every other ruling class in history, but they also had political instinct and responsibility, and they represented truly and faithfully the mercantile ideals and beliefs which were the ideals and beliefs England cherished. It would be hard to find any group as good as, or better than they were; the first experiments with leaders representing industrial values and industrial beliefs—MacDonald, Baldwin, Neville Chamberlain—have not been too encouraging. But with all his many virtues—and his vices—the gentleman who ruled and represented England until recently was the social type of a pre-industrial, mercantile society, had pre-industrial mercantile ideals and beliefs, and derived his claims to power from the purposes and concepts of a pre-industrial, half-rural, half-commercial society.

Up to the present war France had a social ideal which was as firmly entrenched as was that of the "gentleman" across the Channel: the ideal of the "peasant proprietor." The independent, basically self-sufficient farm entrepreneur on his own land was the ideal type of French society from Robe-

sPierre to Pétain. All the great men of France's political and social life from the fall of Napoleon onward have come from this class, have spoken its language and shared its beliefs, and have looked forward to retiring as small but independent farmers as the one fitting reward of a successful life. This attitude was shared by all the other members of the middle class who were forced to make their living in town as *fonctionnaires*, as clerks, shopkeepers, lawyers, or doctors. The almost universal acceptance of the completely unfounded belief according to which the industrial unemployment of the depression was no real problem in France, because most of the unemployed could go home to a farm, shows very vividly the kind of society Frenchmen wanted to live in. It represented most clearly the conviction of the late eighteenth century that its mercantile society—rural yet commercial—was the fulfillment of man's hope. It was the consistency, the balance, the dignity and humanism of her social ideals which gave the France of yesterday her charm; but the same qualities also are responsible for the complete failure of the country to integrate industry, to give social status and function to the industrial worker, to have any but despotic power in the industrial system.

To the French bourgeois proprietor, industry was an abomination, the denial of all he believed in. Convinced that there cannot be human dignity and human virtue without a stake in property, he feared and hated the industrial worker as inherently undignified and evil. The industrial suburbs of Paris and the bleak misery of the Borinage, the mining district on the Franco-Belgian border, were separated from society as if by an invisible quarantine; half ghettos, half besieged fortresses, they were kept under rigorous watch by the surrounding bourgeoisie which finally decided that even conquest by an alien enemy was preferable to giving responsibility and social status to the members of the industrial system.

Though they were powerful, well organized, and envied, the industrial managers in France remained most suspect

and rather mysterious to the average Frenchman. To the bourgeois, the process of industrial production always looked like black magic—utterly incomprehensible and rather terrifying. This showed most clearly in the attitude of the French middle class towards investments. The shrewdest, most careful, most businesslike *propriétaire* could never distinguish between out-and-out swindles and sound industrial enterprises. In no country have investors tried so hard to obtain security as in nineteenth and early twentieth century France; and in no country have they been so mercilessly, so openly and easily fleeced. The cynical corruption of the financial press—in a country having extremely high standards of honesty in commercial life; the gullibility of the public for the wildest and most undisguisedly crooked industrial schemes—in a country of skeptics and cautious rationalists; the refusal even to listen to a rational analysis of the prospects of an industrial enterprise, which made it possible for French corporations to go for ten years without publishing anything resembling a balance sheet—all this shows that to the French bourgeois, industrial production was a game of chance without any rationality or social meaning at all.

Altogether the industrial manager had no place in the order of French society, no more than the industrial worker had. Accordingly, the industrial manager was left with a power which was neither recognized by society nor limited by it; in no other country was industrial management as despotic and, at the same time, as uneasy as it was in France between the two wars. The real social and political power was rapidly thrust upon the managers by the tremendous industrial expansion of the country, especially after 1918; at the same time it was power without roots and in open and direct contradiction of the values and beliefs of the whole country. The social and spiritual crisis of our times was nowhere more profound than in France in the early 'thirties.

In Prussia—and more or less in all of Germany—the situation was different from that existing in England or

France because Prussia had never succeeded in developing a successful mercantile society. Culturally and socially the ideal social type and the prevailing social order were that of mercantile society; and the representative groups were the bourgeois classes of professional men, the university teachers, the civil service, the merchants and bankers. But the political power was in the hands of a very different class, though it was equally pre-industrial in beliefs and structure: the Junkers. The Junker was as much a product of the commercial revolution of the seventeenth and eighteenth centuries as the landed gentry of England or the peasant proprietor of France. He depended economically upon the sale of his labor and the sale of his crops, and socially upon the centralized state—both as the result, not of feudalism, but of the destruction of feudalism. But the mentality of the Junker was anti-mercantile, partly because he was poor, partly because he was Lutheran and deeply convinced of the danger of “Mammon,” but above all because he was a soldier and thus not willing to accept individual self-interest as the guiding rule of moral conduct.

This antagonism between the Junkers and the liberal, urban bourgeoisie defeated the attempts of the great Prussian reformers of the Napoleonic era, Stein, Scharnhorst, and Gneisenau, to build a successful and unified mercantile society. It created a basic split in the social personality of Germany—the truth behind all the pretentious nonsense of the “two Germanies,” “Germany, Dr. Jekyll and Mr. Hyde.” And it was in part responsible for the Conservative’s illusion that Hitler—because he too opposed the liberal bourgeoisie—would turn out to be a Conservative. But this antagonism prevented both the political society, that of the Junkers, and the cultural society, that of the liberal bourgeoisie, from integrating the industrial system. While the Junkers felt that some of the anti-mercantile features of industrialism came close to their own basic beliefs, and while the liberal bourgeoisie regarded the economic rationality of the industrial

system as something akin to their own economic rationality and opposed to the purely political rationality of the Junkers—both erroneous views, incidentally—neither could integrate socially the members of the industrial system nor make of industrial power the legitimate power.

At first glance it would appear that conditions in the United States were basically different from those in industrial Europe, and that in this country society succeeded in becoming an industrial society. There is little of the basic conflict here between town and country which has been so prominent in Europe. Nor is there a pre-industrial ruling class here as there is in England. And it is true that conditions in America are basically different—so different that there is simply no basis of comparison with Europe. But even here it is true that the values, beliefs, and order of the prevailing society are those of a pre-industrial society, and that there has not as yet been developed a functioning industrial society. By and large it is true that this country has always had a Jeffersonian social creed and a Hamiltonian reality. While the free farmer, the independent responsible citizen on his own soil, has been the representative type of American social and political ideas and organization, modern industry has become the representative social reality. The pre-industrial character of American social beliefs and ideals shows in the central importance of the frontier in American political thinking and in the popularity of the dangerous fallacy that our basic social and political institutions are threatened because there is no more free land. The ideal of independent free farmers on new land is perhaps the most consistent and certainly the most successful of the great social ideals of a mercantile-commercial yet rural society. It is not only pre-industrial; in its repudiation of any functional organization of society it is directly anti-industrial. The pre-industrial character of American society shows also in the pattern of the typical American success story—typical in fiction and fact—which starts with a boyhood on a poor

New England or Kansas farm; the "log cabin" cliché of Presidential campaigns is only one conventionalized version of this great American legend. It shows in the fact that the one political body which is elected chiefly by the farm vote, the Senate, has become the most respected of all elective bodies and the one regarded as most truly representative of the country as a whole. The traditional feeling that only recent immigrants are industrial, especially in the case of unskilled workers, and that native Americans can always become independent outside of the industrial system, reflects the same basic pre-industrialism of society.

The tremendous interest in and enthusiasm for mechanics in the United States might, of course, be taken as a sign that this country is much closer to a solution than Europe. But mechanical and technical genius is not a social solution in itself. While industry is as respectable, exciting, and close to the typical American as it has been hostile, remote, and suspect to the representative European of yesterday, the values and beliefs of this country are the values and beliefs of a society in which there were no large corporations, no mass production, no permanent working class, no managerial power. At heart, almost every American is a populist; and the essence of populism consists of the refusal to admit as valid the reality of the industrial system.

In fine, the great syntheses of the late eighteenth century—the two successful solutions of the American Revolution and of the English Conservative Counter-Revolution, the partly successful one of the French Revolution, and the abortive attempt of the Stein Reforms in Prussia—did not create a functioning industrial society. They did not even attempt to solve the social and political problems of the industrial system. They created a functioning mercantile society—pre-industrial and partly anti-industrial in character. They were the successful conclusions of three hundred years of the commercial revolution which had begun when Vasco da Gama reached India and Columbus reached America, and

which had transformed the closed autarchic economies of medieval Europe into an international market and money economy. They were the successful conclusions of almost four hundred years of intellectual and political development which had destroyed the old social integration, the old legitimacy of power, and the old realization of social and political freedom. They neither provided for the industrial system nor envisaged it. But they built so well that for a hundred and fifty years the mercantile society could carry and contain an industrial revolution which changed the social, political, economic, and cultural conditions of life fully as much as had the three hundred years of the commercial revolution preceding them. To maintain the basic values of this great heritage and to use them to integrate socially the new industrial reality is precisely the task of our time.

VII

The emergence of Hitlerism has made it clear that the development of a functioning industrial society is our most vital, most urgent task. For Hitlerism is not only an attempt to create a functioning industrial society—and an attempt which nearly succeeded—it also is an attempt to find a new social ideal as the basis of society. Moreover, it proceeds from the abandonment of that very freedom which was the dream of the mercantile society and the justification of its social ideal, social institutions, and political power. Unless we realize that in fighting Hitlerism we are fighting against an attempt to develop a functioning industrial society on the basis of slavery and conquest, we will not be given the chance to make our own attempt to develop not only a functioning but a free and peaceful industrial society. If we do not see the war in this light, all we can hope to achieve is the elimination of accidental and unimportant features of Nazi-ism—those which are the results either of the accidents of Germany's economic position in 1933 or the accidents of her concrete institutions. And if we really imagine

that we fight against the "barter system" of international trade, or for the Rhine border, we shall make the essentials of the social and political order of the Western world after this war dependent upon blind luck—simply because we would have failed to see that they are essential problems in our own as well as in the Nazi system to which we must find answers which are different from and opposed to those of Hitlerism.

If Hitlerism is viewed as an attempt to create a functioning society, the Nazi Party, the many semi-military organizations built around it, and the Nazi army at once "make sense" socially. They are the institutions in which Hitlerism has tried to give the individual social status and function. In the Nazi organizations the individual is given a status and a function quite independent from his status and function in the productive process; that is, quite independent from his economic status and function. The only criteria are political ability, qualities of leadership, and loyalty to the Fuehrer. It is the Nazi creed of the purpose of the life of the individual that it be "totally" integrated with the life of the national or racial group. If this purpose is accepted as the basic purpose of individual life, then the Nazi organizations succeed in integrating individual and group in a common purpose—the first criterion of a functioning society. Actually, the Nazi organizations have been attempting to realize social equality or at least to offset economic inequality by giving equal chances in the non-economic sphere to the economically under-privileged. For example, in the Nazi units in factories or businesses it is usually an unskilled worker or a junior clerk, often a man formerly unemployed, who is put on top and who, after working hours, is the boss of the very people whom he has to obey during working hours. The basically social meaning of this practice is shown most directly in the Nazification of that last bulwark of the old society: the German army. In the old army, status and function were organized according to the social order of the old

pre-1914 society. Today, according to all reports, there is no army in which promotion from the ranks is more common than in the Nazi army. Status and function in the Nazified German army go exclusively according to skill. And the skills which bring commissions and advancement are necessarily very largely industrial skills.

The importance of the social integration which the Nazi organizations attempt lies in the fact that according to the Nazi creed these organizations are alone the socially significant and constitutive institutions. They are society per se. The economic sphere is regarded as not only subordinate but as socially meaningless, as socially neutral in its values and in its stratification. The Nazis do not deny that there is economic inequality, nor that a very large number of men have no status and no function in the economic sphere. They simply assert that it does not matter socially what happens in the economic sphere as long as the productive machinery runs smoothly. The one sphere in which status and function are social status and social function, in which rank is social rank, prestige is social prestige, and rewards are social rewards, and in which power is social power, is that of the Nazi hierarchy.

Just as the social meaning of the Nazi organizations is the attempt to integrate the individual living in the industrial system in an industrial society, so in the center of the Nazi political system is the attempt to make the decisive power in the industrial system the legitimate power. Accordingly, they have never bothered about the shareholder, who is "legally" the owner and controller of modern industrialism. They just by-passed him. While he gets his dividends, good care is taken that he pays them out again in taxes or in "voluntary" investments in government bonds. And while he has retained a part of his legal rights, the political authorities see to it that he does not exercise them. The focus of all Nazi political organization has been the physical control of industry. Formerly the managers wielded this control, but

now the central government dictates labor policies, production, prices, volume and direction of sales, and profit margin. It has simply retained the managers as expert advisers on engineering and organizing methods.

Nothing is more important for the real understanding of Nazi-ism and of its danger to us than the realization that its very essence is the attempt to build a functioning industrial society. This may seem contradictory to Nazi ideology with its glorification of the farmers, its *Lebensraum* and its "Blood and Soil" slogans. There is, of course, no doubt that all this cheap Wagnerian pseudo-romanticism goes on. It is even probable that Hitler himself believes in it. But that matters as little as Columbus's lifelong belief that what he discovered was really the Indies. The reality of Hitlerism is anything but romantic, it is anything but Wagnerian, and it is totally free from any glorification of the farmer or the soil. Actually, the farmer in Nazi-ism has been made an out-cast. The famous hereditary farm law, which pretends to give the farmer perpetual and secure ownership of his land, really gives the land perpetual ownership of the farmer.

All criticism of Nazi-ism and all counter-attack against it must start with the question whether the concept of man's nature and the concept of the purpose of society on which the Nazi industrial society is based, and which it substituted for the economic man and the goal of economic progress of the mercantile society, are a valid concept and purpose and a functioning basis of society. This concept of man's nature on which Nazi-ism bases itself is that of heroic man; and the purpose of society in which the man of Nazi-ism finds his fulfillment is war and conquest.

Because the Nazis could not find any other basis for their society than war and conquest, theirs has not become a functioning society. For no people in the Western world—not even the Germans—have been willing to accept war as the ultimate, the highest aim of society. Consequently, the attempted integration of the individual into society through

status and function in the Nazi organizations has failed to become a valid, a functioning integration. The individual has not accepted war and conquest as the basic aims of life—neither of his own individual life, nor of the life of the group. And thus the new political government of Nazi-ism has failed to become legitimate government.

This failure has given those of us who believe in freedom a chance to fight for it. More, it has rallied to the cause of freedom millions who had already given up freedom—except for empty lip service. There is little doubt that the great masses in the industrial system—at least in Europe—were quite ready to abandon freedom and to accept slavery. All they asked for was security. Had Nazi-ism been able to find any other basis for slavery than war and conquest, its totalitarian revolution might have swept Europe without encountering any resistance at all. There was a desperate hope among the industrial peoples—rich and poor, right and left alike—to be given a secure and non-militant basis for slavery. But Nazi-ism could only offer war as a basis of slavery. And the people of Europe were thus forced by the Nazis themselves to repudiate slavery because they were not willing to accept war and conquest as the basic purpose of society. Because Hitler could not offer security with slavery, the people who above all wanted security, even at the price of freedom, now have to fight above all for their freedom. Hitler himself—nobody else—has unwittingly and unwillingly given freedom a meaning and a value it had all but lost.

This does not mean that the defeat of Hitlerism will inevitably bring about a free society. On the contrary, it is certain that his defeat by itself will not even create a functioning industrial society, let alone one which is also free. And it is equally certain that, especially after a war as destructive and as uprooting as this, the people will above all demand a functioning society and will be even more ready than they were before the war to sacrifice freedom, if this should appear to be the unavoidable price for a comprehensi-

ble, meaningful, and functioning order. The greatest danger today is that we shall only defeat Hitler's totalitarianism of war in order to replace it by one of peace; and to place security and permanent peace above all other goals means to come dangerously close to abandoning freedom and to a totalitarianism which would be all the more threatening as it would be much harder to attack—morally and physically—than Hitler's.

VIII

The bankruptcy of mercantile society as a functioning society was visible to keen observers as early as the last quarter of the nineteenth century. It came out in the open with the First World War. And it underlies the failure of the order established in 1918. Versailles and the 'twenties represent a gigantic effort to restore the mercantile society as a functioning society. There has hardly ever been a more determined attempt in Western history to go back than that of the restoration period between 1919 and 1929. But the attempted restoration failed precisely because the industrial reality could not be integrated socially and could not be made meaningful politically by the pre-industrial society which Versailles and the international conferences, loans, and agreements of the 'twenties tried so hard—and on the whole so sincerely—to re-establish. There never was a real basis for this restoration; the belief in economic man—at least in Europe—had died with the war and could not be revived.

It is not amazing that the mercantile society collapsed under the strain of carrying so radically alien a structure as the industrial system. What is amazing is that it could continue to function as long as it did. By now it has collapsed, although its place has not been taken by an industrial society. In the place of the functioning mercantile society we have no society. It is this collapse which constitutes the history of the twenty years between wars. And it is the absence of an industrial society which is the ultimate cause of Hitlerism and its attempt—so far, fortunately, unsuccessful—to create a functioning industrial society.

It was not until the first great industrial depression, that of the 1830's, that the industrial system was recognized as a new factor; but even Marx, who scooped up and fused together the analyses and diagnoses of a great many men of that period—conservatives and radicals, realists and utopians—did not see that the industrial system poses political problems, problems of social integration and of political powers, which are basically different from those of mercantile society. Not only, as has been often remarked, Marx's mentality, but also his society were orthodox eighteenth century and pre-industrial. And it was not until fifty years later—the closing years of the nineteenth century—that it was realized that society was faced with the problems of an industrial society. The Guild Socialists in England, Brooks and Henry Adams in the United States, Sorel in France, the Academic Socialists in Germany were the first to see that the members of the industrial system are not integrated in it, and that the decisive political power in the industrial system is not legitimate power. In other words, they were the first to see that our society is not an industrial but a mercantile society, that it can at best contain but cannot integrate the industrial reality of our times.

When the United States went to war in the fall of 1941, we had a magnificent technical machine for industrial production, built and run by engineers, chemists, and skilled mechanics. We had a considerably weaker but still very impressive economic machine for the distribution of industrial goods. Politically and socially, however, we had nothing: no industrial civilization, no industrial community-life, no industrial social order or political organization. The necessity is upon us to build a free industrial society. This constitutes both the crisis and the promise of our times.