

### III. ECONOMIC FOUNDATIONS

#### 1. *The Social Structure*

WHEN a town or a city decides to repair a water system or to replace an old system by a new one, the plans are made and the work is carried on in accordance with the soundest principles known to the engineering profession. There are communities which neglect their water systems, and which suffer accordingly. But for the most part, the water supply is looked upon as so vital a factor in the common life that no pains are spared to have it reflect the last word in sanitation and efficiency.

The same reasoning must apply to the economic machinery upon which a community depends for the supply of its necessities and comforts. Economic life touches every home. No human being who eats food, wears clothes, lives in a house, rides on street cars or reads papers and books can escape its all pervasive influence. Therefore when changes are made in an established system of economic life, or when a new economic system is substituted for an old one, it behooves the people concerned to see that the work of reorganization is done in accordance with the soundest known principles of social science.

The principles of social science, like the principles of engineering, are matters of profound concern to those who are compelled to depend for health and livelihood on the outcome of a social experiment. The social scientist studies society as the natural scientist studies nature, by examining the social forms, the social forces, the ways of handling or of administering these forces, and the means of making social improvements. The social scientist, like the scientist working in any

other field, is concerned with making those additions to knowledge which will prove of the greatest ultimate advantage to the human race.

The principles of social activity are not yet so well known as those of astronomy, physics, mechanics or biology, but they operate none the less surely. Until these principles are understood, and until men plan their activities in relation to them, there will be no possibility of a rationally organized and wisely managed society. The physicist who planned a pump on the supposition that water is always liquid in form would get no farther than the social scientist who advocated social changes on the theory that the only motive that animated mankind was the economic one.

Mankind is not wholly ignorant of the principles underlying social structure and social activities. Philosophers and statesmen worked over them in the ancient world. Within the past two centuries a flood of books and pamphlets has appeared dealing with social organization. To be sure, most of these publications have been of a political nature, but the effort was made none the less to understand society and its workings. The investigations, analyses, comparisons and conclusions are formulating themselves gradually into certain well-defined social laws, which men recognize as essential factors in social thinking.

Some of the more important among these social laws or principles which have been determined by the painful processes of trial and error are those relating to the manner in which the structure of society is built up. Society is not a collection of people, in the sense that a basket of eggs is a collection of eggs. Quite the contrary, society is a structure formed through the association of individuals and of groups having some common interests and some co-operative functions or activities. A family, for example, consists of a number of persons, usually connected by blood ties, living together in a common dwelling. A chamber of commerce con-

sists of individuals, firms and corporations, doing business in one locality, and all concerned with the maintenance of certain property rights. The British Miners Federation is composed of local and of district organizations, which are built up around collieries, towns, and coal deposits. The local union is composed of individual mine workers. The district organization is composed of a number of locals in the same field. The federation is composed of these lesser organizations. No matter which one of the many forms of human association is examined, the same thing will be found true. Each social group is composed either of individuals or of lesser social groups which have certain common interests and certain co-operative activities, and which band themselves together in response to their interests and in pursuance of these activities. It is this organic structure of society to which Hobson applies the phrase "the federal units which society presents." ("Work and Wealth." J. A. Hobson. Macmillan. 1914. p. vi.)

Among primitive peoples who have simple forms of social organization, each individual is connected with some association like the clan or tribe which is state, church and family, all in one. The stories of the Jewish patriarchs are good illustrations of this stage in social evolution. In advanced and complex societies, however, each individual belongs to a number of groups—to a town, a factory, a school, a home, a political party, a fraternal order, a church. In complex societies these groups are united to form the whole social structure. The individual belongs to society, therefore, because he belongs to one or more of the groups composing society, and his membership in society is dependent upon his membership in a social group.

Without making too much of the comparison between a living organism, like the human body, and a society, the similarities between the two are striking. The human body consists of various systems, such as the circulatory system, the nervous system, the digestive system. Each of these systems

is composed of many parts, having separate functions to perform. The circulatory system, for example, consists of the heart, veins, arteries, capillaries, the blood, etc. These various parts of each system are in their turn made up of different kinds of tissue. The heart is a complicated organ consisting of muscle tissue, nerve fibers, blood vessels, etc. Muscles, nerves and blood vessels are in their turn composed of living cells, each of which contains the mechanism of a life cycle. Among the unit cells, the various tissues, organs and systems of the body, there is a working harmony. The whole complex machine functions in unison. If one of the organs fails to do its work,—if the heart fails to pump blood or if the lungs fail to inhale oxygen,—the whole body ceases to function or “dies.”

Throughout the series, from the single cell to the entire organism, the human body is built up compositely. This method of composite structure holds equally true in the composition of modern society.

A modern society or community consists of various systems, such as the educational system, the economic system, the political system. Each of these systems is, in its turn, composed of institutions. Thus, for example, the educational system consists of the common schools, the high schools, the normal and professional schools and universities, the special schools, and so on. Each city school system is a going concern with its pupils, teachers, officials, school buildings, textbooks, courses of study. Each school building, each classroom, each group of pupils, is a social unit, composed either of individuals or of groups. Like the single cell of the human body, the individual pupil is a living organism, and it is out of a multitude of such organisms variously grouped that school systems are built.

The social machinery, like the machinery of the body, must work smoothly, otherwise misery will be the inevitable result. If the educational or the economic life of a community breaks down, the whole community suffers, as does the body through

the failure of an important organ. If the stoppage is significant enough, as for example, a stoppage of the economic machinery like that experienced by central Europe since 1919, the social organism "dies,"—that is, it is resolved into its constituent elements, some of which may disappear.

Those who object to the comparison between society and a living organism like the body, find more satisfaction in likening the social machine to an automobile, with its self-starter, its ignition system, its lighting system, its steering gear, its driving mechanism. Each of the systems is in turn composed of parts. Each part is made of wood, iron, copper, rubber, and these materials are, in turn, composed of molecules and atoms in certain combination. The automobile is not self-acting, like the body or like society, but the failure of one of its essential parts like the ignition system, means the failure of the whole machine.

Society, like the human being, or like the engine, is a highly complex mechanism, and like them it cannot function successfully unless its various parts function in harmony. The major problem before a society is therefore the working out of a system of inter-relations between its parts, that will make harmonious functioning possible and easy. Just as the mechanical engineer who builds the automobile puts into it the results of his wisdom in an effort to make it effective, so the social engineer devotes himself to the problem of making society function in the way that will yield the largest results to the individuals composing it.

## *2. Specialization, Association, Co-operation*

Every social group except the horde, which is an aggregation of unspecialized and non-co-operating individuals, is constructed on the principle of:

1. Specialization
2. Association
3. Co-operation

The social group—the family, the school, the factory—takes upon itself the performance of a particular social function—it specializes itself. Each group associates itself with other groups—families with families, schools with schools, factories with mines and stores. Finally, these associated groups work together or co-operate, exchanging the products which their specializations have created, and uniting their efforts in the furtherance of their common interests. These developments take time, and some communities are more highly specialized than others, but all societies which enter intimately into the life of the modern world are thus constituted.

The more advanced the society, the more numerous and the more complex are the relations between its component parts. The agricultural inhabitants of the Ganges Delta have evolved a far more complex society than that of the aborigines of Australia, but the civilization at the mouth of the Ganges is simplicity itself compared with that of Britain, Belgium or Japan. In the Ganges Delta each family group has a homestead. Outside of the homestead, the community life is almost wholly unspecialized. Even where the homesteads are clustered together there are no stores, no recreation centres, and few churches or schools except in the larger towns or in the market towns, of which there are a very few, since only about one per cent of the people live in towns or cities. Practically the entire population is occupied with the work of the homestead, and the work of each homestead is very like the work of every other homestead. ("The Economic Life of a Bengal District." J. C. Jack. Oxford. Clarendon Press. 1916. pp. 1 to 40.)

How different is the French, German or Italian village, with its various crafts, trades, professions, industries, recreation centres, schools, churches and the like. Every such European community of three or four thousand persons is in itself a complex society, while the industrial city of fifty thousand people is a hive of related social activity.

The more highly specialized the group, the more complex, intricate and precise are its workings.

This principle of social federation through specialization, association and co-operation is nowhere better illustrated than in the case of the present economic system. In each centre of population, in each town or city, in each state, in each nation, in the world at large,—the economic system is divided into various elemental economic groups or units, falling under six main headings:

1. The extractive units, which are concerned with the taking of wealth from nature's storehouse—the farm, the mine, the lumber camp.
2. The fabricating units, which are busy changing the products of farm, mine and lumber-camp into semi-finished or finished forms—the mill, the smelter, the factory.
3. The transportation units, which carry goods or people or messages from place to place—railroads, ships, trucks, telephones.
4. The merchandising units, which assemble the goods turned out by the fabricators and distribute them to the users, wholesalers, jobbers, retailers.
5. Personal service units, which render a service to the consumer in some direct, personal way—housekeepers, educators, entertainers, health experts.
6. The financial units, which are concerned with the handling of money and of credit (the counters of the economic system) banks, loan associations, credit houses.

These are some of the main divisions of the economic system as it exists at the present time. Each division is a great net-work of economic inter-relations, specialized and subdivided into individual plants, factories, departments and the like. Take, as an example, one group, the manufacturing industries of the United States. When the Census of 1914 was compiled, the manufacturing industries were classed in

fourteen groups,—food and food products, textiles, iron and steel and their products, lumber and its remanufactures, etc. There were 496,234 wage-earners working in 59,317 food and food products establishments, 1,498,644 wage-earners in 22,995 textile establishments, 1,061,058 individuals working in 17,719 iron and steel establishments, and so forth. Each of the fourteen subdivisions of the manufacturing industries of the United States employ hundreds of thousands of men and women who are at work in tens of thousands of establishments in thousands of cities and town. The same kind of specialization is to be found throughout the various modern industries, and in the different industrial countries.

Each one of the larger establishments—each factory or plant—is in turn composed of departments, divisions, shops and the like.

Whether the individual establishment or the individual department be regarded as the unit of economic activity, the outstanding feature of the manufacturing industry is the immense number of units that must be in working order and co-operating harmoniously with the others before the whole can function smoothly. And this is but one of the general divisions of industry. At the time of the Census of 1920 there were in the United States alone, 6,447,998 farms; in 1914 there were 275,791 manufacturing establishments; in 1910 there were 1,127,926 retail dealers and 50,123 wholesale dealers. Literally, there are millions of productive economic units in this one country which are specialized, which are associated in their activities and which must be put on a co-operative basis if effective results are to be obtained from them.

### *3. Three Lines of Economic Organization*

So much, then, for the interdependence of the various economic groups under the present forms of society. This interdependence runs throughout the capitalist system.



Farms depend on railroads, railroads on mines, mines on factories, factories on farms, and so on.

This extreme specialization of the economic system is the product of the past two hundred years, the outcome primarily of the industrial revolution. The experience of society with these specialized economic forms does not, therefore, extend over more than five or six generations. This experience is sufficient, however, to indicate that there are three general lines along which economic organization may develop:

1. *Economic "states rights" or individualism*—the theory upon which the present day industry as well as the modern state was founded. Under this theory each economic group must be free to go its way, cutting a path for itself through the ranks of its competitors, and making its triumphant advance over their prostrate remains.
2. *Economic bureaucracy*, involving the concentration of economic authority in the hands of a centralized group which, knowing little or nothing about the requirements of particular localities, is nevertheless in a position to legislate for them and to enforce its mandates.
3. *Economic federation or federalism*, with local groups enjoying local autonomy in all local matters, and only so much centralized control as is necessary for the unified direction of the entire enterprise.

American industry has had considerable experience with the two first forms of organization. Until the period of the Civil War, competition was the generally accepted rule in all phases of economic life. With the formation of the Standard Oil Company in 1870, a new principle was demonstrated, and the idea of centralization was embodied in a form that served as the model for the American trust movement. By the time of the late nineties, this principle of centralization had been carried so far that a reaction set in,

and when the United States Steel Corporation was organized in 1901 local autonomy was recognized as one of the essential principles around which its structure was built.

Experience points to the system of local autonomy in local matters and to the central control of general matters as the most workable in a complex society.

In the first instance, under such a system, each local unit is responsible for its own activities and for its own discipline. It is obvious that no matter how efficient the bureaucracy, it would hardly be possible for a centralized authority to control, from one point, the six millions of farms and the quarter million industrial establishments of the United States. It is only where the handling of local matters rests with those immediately concerned that the highest degree of local pride, initiative and energy can be generated and maintained.

Such a system leaves the central authority free from detail so that it may devote all of its energies to decisions on matters of general policy, and to such procedure as affects the welfare of the whole rather than of any particular part. Economic society, to be organized successfully, must be built of units that will prove self-acting and self-directing in all matters of purely local concern. At the same time, a scheme of economic life must be devised that will make it easy and natural for these economic units to function co-operatively in all matters connected with the well-being of the whole industry or of the whole economic society.

#### 4. *Economic Forms*

Much has been done to organize the economic life of the planet, particularly during the past two centuries. Prior to the industrial revolution the economic life of the masses of the people, with the exception of a little trading and shipping, was localized and individualized in the village, the commune, the homestead and the home. The industrial revolution, with

its dependence upon mechanical power, served to concentrate economic life in larger units—the factory, the plant, the industrial city. As a matter of necessity, organization followed in the wake of this concentration. The owners of industry organized on the one side: the workers organized on the other. Besides these two major forms of organization within the field of industry, there was the organization of the state, which has played a leading role in the life of present-day society.

The organization of the owners, which is far more complex and more highly developed than that of the workers, has followed four general lines:

1. The organization of one line of industry. Woolen mills in Massachusetts and in New York unite to form the American Woolen Company: sugar refineries are consolidated into the American Sugar Refining Company.
2. The organization of those industries which are concerned with the turning out of one product—industrial integration. The iron ore beds of Michigan, the coal and coke industries of Pennsylvania, lime-stone quarries, smelters, converters, rolling-mills, railroad connections and selling organizations all unite into the Cambria Steel Company or the Carnegie Steel Company. Timber tracts, ore properties, mills, mines and selling agencies join to form the International Harvester Company.
3. The organization of unlike and unrelated industries—manufacturing industries, public utilities, insurance companies, railroads, trust companies and banks brought under the financial control of Morgan and Company or of some other banking syndicate.
4. The banding together of these various groups in mutual welfare associations such as chambers of commerce, boards of trade, manufacturers' associations and so on.

None of these organizations has any primary interest in geographic areas or in national boundaries. Half of the business of the Standard Oil Company of New Jersey is carried on outside of the United States; the International Harvester Company puts up plants in Canada and in Russia; United States Steel buys properties in Mexico; The National City Bank opens agencies in Cuba and in Argentina. The great modern business units deal, not with political boundaries, but with economic areas. They seek out, as the field for their operations, abundant resources, cheap labor, attractive markets.

The present economic system has made great strides toward the world organization of economic life in a comparatively short time. Australia, Canada and the United States furnish excellent illustrations of the way in which continents have been surveyed, spanned with steel, populated and exploited in three or four generations. So completely has the economic system been altered that the seventeenth century world would not recognize its infant great-grandson of the twentieth century.

### 5. *Limitations on Capitalism*

Important changes have been made in the structure of society since the inauguration of the present economic system, but these changes have not been radical enough to keep pace with the still more radical changes that have occurred in the mechanism of economic production and exchange. The chief failure of the present order is its failure to readjust social machinery in conformity with the economic changes that have occurred in society, and this failure is due, in large measure, to the limitations contained within the capitalist system.

Like all social systems which attain to positions of consequence, the capitalist system has played an important role in the development of society, and like all such systems, it has had its day. The needs of the community have advanced to

a point at which they cannot be met under capitalism, whose chief failure to function more effectively in the present crisis may be traced to:

1. *Excessive centralization of the determining control of industry in the hands of financial manipulators, who do not even enjoy the advantage of owning the industries which they dominate.*

Through shrewd financial dealing they have maneuvered themselves into positions of importance, which they hold because of their ability to manipulate, a political rather than an industrial virtue. The necessary result of this concentration of authority is a denial of local self-determination and a corresponding loss of local initiative. The less local initiative there is, the more centralization is required to keep the machinery running, until a point is reached where all power and authority are exercised from the centre, and the local group is as devoid of spontaneity as it is of authority. At somewhere about this point, the friction involved in administration becomes so great that the whole of the social energy is consumed in the routine of keeping the social machinery running, and there is no surplus, either for leisure or improvement. This was the outcome of a similar centralization of authority under Feudalism, and it shows itself in any organization that permits itself to drift into the danger-zone of bureaucracy.

2. *A second obstacle to the further development of the present economic system is nationalism.*

The political state has become an adjunct to the capitalist economic system. It relies for one of its sources of driving power upon a concept of nationalism which places the political boundary lines that happen to surround a people first among the public limitations on conduct. "My country, right or wrong," becomes a catch phrase on the lips of school children. Whatever transpires inside these political boundary lines is

sanctified by its association with the fatherland, while events having their origin outside of the country must be correspondingly discounted.

Since the middle of the nineteenth century the business men of every great industrial nation have been compelled to go abroad for raw materials, for markets and for investment opportunities. In order to obtain these economic advantages, the citizens of the civilized nations have not hesitated to plunder the natives, and if they resisted, to murder them—as Britain has done in India, as Belgium has done in the Congo, as Japan has done in Korea, as the United States has done in the Philippines and Hayti. This robbing and murdering is sanctified by the fact that “our interests were in danger” or that “our flag was fired upon” or that “our citizens have lost lives and property.” But during the past few decades the exploiting nations have found more than natives to deal with. In almost every instance there have been at least two claimants for each choice economic morsel, and a conflict has frequently resulted, like that between Russia and Japan for the control of Eastern Asia or between Germany and France for the control of the iron and coal deposits of Western Europe. In such cases the wars are justified to the home populations as necessary defensive measures.

The justification may or may not be complete, but the bills must be paid, and they have proved to be inordinately high. The cost of killing African natives or unarmed Haytians is comparatively low, but the cost of killing Frenchmen and Germans is enormous. If, as some experts have estimated, the direct cost of the Great War was 250 billions of dollars, and if only 10 millions were killed, it cost something like \$25,000 to kill each of the ten millions. It is at this point that nationalism breaks down because of the sheer inability of the peoples to foot the bills that have been contracted in destroying their “enemies”—namely, the citizens of other nations.

When this point is reached—when the costs of expansion

beyond boundary lines of a nation are so great that the people who do the country's work cannot or will not meet them, the end of the system that depends upon expansion is already in sight. That point has been reached and passed in capitalist society.

While the costs of expansion were merely the cost of subduing naked savages, the business was a remunerative one; but when, to these ordinary costs must be added the stupendous price of capturing trenches protected by barbed wire entanglements, of bombing whole countrysides, of desolating states and wiping out industries, not to mention the cost of building forty million dollar ships that can be sunk in six or seven minutes with one well aimed torpedo, the limit has been reached, and bankruptcy sooner or later ensues. Capitalism is now paying that price throughout most of Europe.

3. *A third obstacle to the continuance of the capitalist system lies in the fact that it has fallen into the hands of profiteers (bankers and absentee owners) whose chief purposes are to control economic machinery for the money there is in it, and to guarantee their clients (investors) an opportunity to live without working on the labor of others.*

By the very nature of their connections the managers of industry are denied the right to think in economic terms. Their function is to "make money" by exploiting nature and men. They are therefore profiteers rather than producers, and no economic system can hope to survive unless it is based on production rather than profiteering.

4. *The present economic system is in the hands of those who are responsible to wealth (stockholders) and not to the masses of the people.*

A small fraction of the people in a modern industrial community—one in 30 or 40 or 50—holds the controlling vote in the strategic industrial enterprises, and says the final word

on all questions of industrial policy. Their interest is a property interest. Automatically they are precluded and prevented from thinking or acting in the interest of the general welfare, since their clientèle, which is seeking to live on the labor of the masses of their fellow citizens, is only a minute part of the general public.

5. *There is another limitation arising out of the third and fourth, just enumerated—the limitation imposed upon the whole of society by the incessant struggle between the owners of industry and the workers in industry.*

While the owning class continues, without labor, to derive an income from the labor of the workers, the former will grip their privileges, while the latter will oppose, obstruct, attack and ultimately deny the rights of the owners.

These five limitations: centralization, nationalism, profiteering, the handling of economic affairs in the name of property rather than in that of human welfare, and the class struggle—make it difficult or impossible for the directors of the present economic system to extend it in response to the pressing demand for expansion. Like other social systems that have prevailed in historic times, the capitalist system of economic control has its limitations, and like many another system, it seems to have reached them.

### 6. *The Growth of Capitalism*

The existing economic order has grown to its present proportions competitively and nationalistically, without any centralized supervisory control (without any board of strategy) just as one of the Canadian cities out upon the plains has grown, or rather sprawled over the prairie—each man building how and when and where he liked, each industry choosing its own location, stores, schools, churches, theatres, squatting at those points that seemed to be the centres of the crowd life. Mines have been opened, factories established, railroads built, electric plants constructed, by some individual or



corporation interested in making a profit on the investment, and with little or no relation to the well-being of the community. There has been no recognized intelligent guidance behind the development of the industrial system.

In so far as the present economic life was planned, it was planned locally, by the directors of one industry, by the chamber of commerce of some city, by a far-sighted banker or financier who insisted upon thinking in terms of the coming business generation. For the most part the system grew, however, like stalks of corn in a field, each stalk drawing its own nourishment from the soil and making what progress it could along its own path toward the zenith.

Another serious drawback in the growth of the present economic system is that much of it was developed as an underground organization. Even had they decided to do so, individual business men have not been free to plan ahead and work out a business policy in the light of day. On the one side were the jealous competitors, watching every move and eager to profit by any bit of information that they could secure with regard to the plans of their rivals. On the other side was the government, with its conspiracy laws and its anti-trust laws, ready to swoop down on the business director who planned too broadly or thought too far into the future. Then, too, there was an ever-growing force in a public opinion that was suspicious of profiteers, no matter what their professions. With competitors on the watch here, and government officials yonder, there was nothing for it but to work in secret, to shadow the new policies in mystery and to get as far as possible without being found out.

Far-reaching changes have taken place, of late, in the type of men who have held the reins of control over industry. During its early years the economic machinery was constructed by men who had worked at their trades; men who had begun at the bottom and climbed into a place of authority; men who had a first-hand knowledge of the processes under-

lying their industries. Latterly, however, with bankers and other professional manipulators in control of economic life, the engineers, with their intimate knowledge of forces and processes have been pushed into the background, and the actual work of direction has been shifted from producers to money makers.

Again, the present economic system, built for the profit of the builder rather than for the welfare of the community, represents, not the science of organization for production and use, but the science of organization for exploitation and profiteering.

These are some of the reasons why the economic life of the modern world has grown at haphazard. Each industrial director put his own ideas into his business, and as it grew in response to them, the various businesses differed as much in shape, size and character as did the early factory buildings.

The time seems to have arrived when a new working plan of economic life may be adopted. The faults and failures of the old are glaring and the clamor for the new is reasonable and insistent.

The construction of factory buildings has been evolved into a science. Why cannot the same thing be done with the whole scheme of economic organization? Men no longer erect factory buildings according to personal whim or to the chance ideas of some budding architect. Instead they consult scientists in factory construction who have devoted years to the study and to the practical supervision of the detail of factory building. Can less be demanded of the community which hopes to build its economic life soundly and solidly?

A modern steel plant, like that at Gary, Indiana, is carefully planned before a sod is turned. The organization of the works is thought out, sketched, drawn in detail, blue-printed, so that each group of workers that participates in the construction is given a blue print that specifies what is

to be done, and where and how. When all of the tasks are completed a steel plant has been called into being. But suppose that each of the eighty gangs of workers, busy on the plant, had followed the lines of its fancy or of its own special interest! The result would resemble the helter-skelter of modern economic society.

### 7. *Effective Economic Units*

Economic life has been haphazard in the past. In the future it will be one of the most scientifically built of all human institutions. It is so vital a part of the social life, and it yields itself so readily to structural co-ordination that the best structural minds will turn to it perforce, as the logical field for their activities.

The economic structure of the future, to be sound, must be built of effective working units. It is as impossible to build a live social system with dead component elements as it is to build a live body with dead cells.

At least for the time being, an intricate and complicated structure is needed to handle the problem of livelihood. As time goes on, the nature of the economic system may be greatly modified, and its structure simplified correspondingly. While the complicated economic structure remains, however, the problem will be one of co-relating the activities of vast numbers of economic units, and of prevailing on them to function with less friction and greater harmony.

Like every social structure, the economic system will be built up of lesser social groups, beginning with the simplest local body of farmers, miners or mill workers, and continuing on, by successive stages of organization to the largest and most highly complex groups in the community.

The nature of each of the units that enters into the economic structure must vary with the locality, with the industry, and so on, hence it will prove to be impossible to lay down any arbitrary rules concerning their organization.

It is possible, however, to suggest certain characteristics that must be present in effective working units:

1. *The economic unit, which is to be built into the new society as stones are built into a wall, must bear a very close relation to the present working forms of economic life.*

Ultimately, the economic units of which society is composed will differ completely from those now existing. It is quite out of the question, however, to build a new economic structure and new economic units at the same time. Habit and convention are too strong. Innovation is too terrifying and too problematical. The life of local economic units will be carried on to-morrow very much as it is carried on to-day by the masses of the people. The most workable economic superstructure, for a new society, will be built upon an answer to the question: "How is work done now?" This method of approach takes the basic economic activities of the masses of the people for granted and seeks to build them into a sounder type of super-organization than that now existing.

2. *The economic unit, whatever its size and function, must be sufficiently homogeneous and coherent so that it will retain its unity even in the face of severe stresses and strains. That is, it must be in a state of relatively stable equilibrium.*
3. *The economic unit must be autonomous—self-governing, self-motivating, and in a sense, self-sufficing.*
4. *The organization and management of the unit must make possible an efficiency in production that will supply human needs and furnish the means of providing some comforts for the population.*
5. *Units must be so organized that they will work effectively with other units in the same industry and in related industries.*

Whether plans are being made for the rebuilding of existing economic institutions or for the establishment of new ones, these general rules hold good. They have as their objective, a workable social system that will turn the wealth of nature's storehouse into usable forms, and that will procure the distribution of the good things of life, in an equitable manner, among the groups that have assisted in their production.

### 8. *Classes of Economic Units*

Those who are concerned with the establishment of a working basis for economic society must bear constantly in mind the purpose of economic organization—to provide livelihood on the most effective possible terms. The economic system is not called on to perform any other function.

Economic function would seem to be most effectively aided by some organization of the economic units that would provide a structurally sound skeleton for the whole economic mechanism. The needs of particular localities, the requirements of larger groups within one industry, the economic relations of continental areas, and finally the world organization of industries must be provided for. In order to meet this situation, it would seem desirable to think in terms of several different grades or classes of economic units. As a working basis, four are suggested:

1. *The local unit, which would be some particular phase of the economic process that normally functions as a whole.*

This unit is now a working part of the present economic order, and whether it is a colliery in Wales, a division of the P. L. M. Railroad in France, a mill in Bombay, or a farming community in Saskatchewan, it would continue the process of turning out goods and services under the new economic régime as it does under the present one.

- 2. District units composed of a number of neighboring local units in the same industry or in closely related and co-operative industries.*

The district is an aggregation of conveniently situated local units, and is organized as a ready means of increasing the efficiency of the groups concerned. It might cover the tobacco factories of Havana, the coal mining industry of the Pennsylvania anthracite fields or the dock working activities of Belfast.

- 3. The divisional units which would be designed to cover a convenient geographic area, and to include all of the economic activities in a particular major industry within that area.*

The boundaries of the districts would vary from one industry to another. The boundaries of the divisions would be uniform for all industries. The whole world would therefore be partitioned into a number of divisions, such, for example, as: North America, South America, South Africa, the Mediterranean Basin, Northern Europe, Northern Asia, Eastern Asia, Southern Asia and Australia. In setting the boundary lines of these divisions, economic homogeneity, geographic unity, the distribution of the world population and the character of existing civilization would all be called into question. Under such a grouping would fall the agricultural workers of Southern Asia, the transport workers of North Europe, the manufacturing workers of North America.

- 4. World industrial units, so designed as to include within their scope all of the producers of the world classified in accordance with their occupations.*

To-day, the outstanding method of classifying the people of the world is to take them in relation to their political affiliations. The new grouping would arrange all of the peoples in accordance with their economic activities. A simple form of classification would include: agriculture,

the extractive industries, manufacturing, transport, trade, housekeeping, and general (miscellaneous) trades. The classification might be made far more elaborate, but for clarity of discussion a simple classification is of great assistance. Every person in the world who performed a useful service would belong to one of these great industrial or occupational groups, and the aggregate of the membership of the groups would equal the aggregate of all the producers of the world.

Under this plan, therefore, each individual would have a series of economic affiliations. He might, for example, be a docker on the French Line at Le Havre (local affiliation); a dock worker in the Le Havre district (district affiliation); a transport worker of North Europe (divisional affiliation); a worker in the transport industries of the world (industrial affiliation).

Since each of the producers in the world would have this series of relations, all of the producers would be grouped together in local, in district, in divisional and in world industrial groups, so that the economic life of the world would present the picture of a completed economic structure very similar to the political structure that has been evolving for many centuries, and which has reached its highest forms of development in such new countries as Australia and the United States, where each person is a citizen in a borough, city or town, in a county, in a state and in the whole nation or federation of states.

While political life has been thus organized about the administration of certain public affairs, economic life has remained disorganized, or has been organized largely with an eye to owners' profits. The producers society will be organized in economic terms very much as the present society is organized in political terms. Each producer will be a participant in the life of economic units, graduated from the local economic unit to the world industry.

9. *The Ideal and the Real*

This is, of course, an idealized picture, subject to an infinitude of modifications, just as an architect's plan for "a bungalow in the woods" or a city planner's scheme for a model town is idealized and subject to modifications. It is not a working drawing, but a general design which is intended to place the whole subject of economic reorganization on a plane where it can be discussed as a matter of practical social science.

The plan presented here is simplified as far as possible in order that attention may be concentrated on the essential issues that the world faces. Too much time and energy have already gone into contentions over details, when there was no general plan in view. Let no man deceive himself with the delusion that the solution of the world's economic problem is a simple matter, but at the same time, each one who is striving toward a better world may rest with the assurance that there are certain simple and fundamental principles that underlie world economic organization.

Society is structural, and as a structure it must function; the economic world is built up of working units that are compelled, by the nature of modern industry to work co-operatively, but the very nature of the political structure of modern society hampers this co-operative work in many essential directions; federation seems to be the logical answer to the enigma of effective social organization, and it only remains to organize a workable series of economic units and to build them into a world structure—a world structure in terms of production rather than of politics.

The world is sadly muddled. Millions pay for this muddling with their lives; tens of millions pay with bitter suffering. The owners have had their day. The opportunity for the producers has well-nigh come.

The men and women who are responsible for the work that is involved in the economic reorganization of the world



must see the whole plan as well as the multiplicity of detail, and must work with the whole plan vividly before their eyes if they are not to be blinded and led astray by the multitude of will-o'-the-wisps that flit across the path.