

THE NEXT STEP

I. THE NEW ECONOMIC LIFE

1. *The Historic Present*

THE knell of a dying order is tolling. Its keynote is despair. Gaunt hunger pulls at the bell-rope, while dazed humanity listens, bewildered and afraid.

Uncertainty and a sense of futility have gripped the world. They are manifesting themselves in unrest, disillusionment, the abandonment of ideals, opportunism, and a tragic concentration on the life of the moment, which alone seems sure. The future promises so little that even the most hopeful pause on its threshold, hesitant, and scarce daring to penetrate its mystery.

The war showed the impotence of the present order to assure even a reasonable measure of human happiness and well-being. Of what profit the material benefits of a civilization that takes a toll of thirty-five millions of lives and that wrecks the economic machinery of a continent in four short years? Yet the failure of the revolutionary forces to avail themselves of the opportunity presented by the war proved the unreadiness of the masses to throw off the yoke of the old régime and to lay the foundations of a new order. The world rulers painted a picture of liberated humanity that led tens of millions to fight with the assurance that victory would make that hope a reality. The workers yearned for the social revolution and for the establishment of the cooperative commonwealth with its promise of equality and fraternity. But the events that staggered the world between 1914 and 1920 shattered both ideals.

Now that the terrible conflict has ceased, we pause and reflect. Millions are weary, millions are old, millions are broken, millions are disappointed, and the weary ones, the old ones, the broken ones and the disappointed ones have lost their vision and have abandoned their faith. Yet life sweeps on—its unity unimpaired, its continuity unbroken, its force unchecked, its vigor unabated. Multitudes have been born since the end of the Great War, and other multitudes, who were babes in arms when the Great War began, are growing into young manhood and womanhood. The war, with its hardships and its fearful losses, is history. The present, merging endlessly with the future, makes of each day a tomorrow in which hundreds of millions of those who now inhabit the earth will live.

How?

That is the question which the world to-day faces. The answer is in our hands.

2. *Economic Needs*

Humanity has always been face to face with the bread and butter problem because people must have food and clothing and a roof over their heads or pay the penalty in physical suffering. Under the present world order, for lack of these simple economic requirements, millions of poverty-stricken workers perish each year, of slow starvation and exposure in Paris, London, Chicago, Tokyo; of famine in China, Egypt and India.

Some issues present themselves for consideration only occasionally. The demand for economic necessities each day recurs with tireless insistence in the life of every individual. Men have learned this fact through frightful experiences, and they look forward with hope or with dread to the comfort of plenty or to the disaster of want. So effectually have these forces entered into everyday life that they color all aspects of human existence, and people continually think and act

in terms of economic hardship or of economic well-being. This simple fact of economic determinism—the influence of the livelihood struggle upon the conduct of individuals and of societies—plays a fateful part in shaping both biography and history.

The economic issues before primitive society were comparatively simple ones. The producer—the hunter, herder, farmer—snared his game and cooked it, tended his goats and lived on their milk and flesh, planted and reaped his crops, and used them to sustain life. Later, the baker, the saddler, the tailor and the carpenter spent their energies in producing the articles of their trade and in disposing of them. The herdsman could live on his hills, the farmer in his valleys and the artisans in their towns, content and at peace with the remainder of the world, neither knowing nor caring what was happening to their fellow dwellers on the planet. Confined within its narrow bounds, primitive thought was as local as primitive life.

But such isolation is no longer possible. The currents of economic life, like most other phases of human activity, have swept beyond the local forests, the grass lands, the tilled fields, the oven and the carpenter's bench, and gaining momentum in their ever-widening course, they have circled the world.

3. *Worldizing Economic Activity*

The past hundred years have witnessed a speedy worldizing of human affairs built upon a transformation in the ways of making a living. These changes have been effected by the industrial revolution, which, toward the end of the eighteenth century began to make itself felt in Great Britain. Its influence spread over Europe, America and Australia during the last three-quarters of the nineteenth century, but it did not reach Japan until 1860. Almost within the memory of the present generation, therefore, the scope of trade,

manufacture and finance, the search for markets, the organization and unification of labor and of popular thinking about economic problems, have passed from a local into a world field.

The inventions and discoveries which were the immediate cause of the industrial revolution succeeded one another with a bewildering rapidity that is well illustrated in the case of communication. The steamboat, first made practicable in 1807, and the locomotive, invented about 1815, provided the means of rapid transportation of goods, people and messages. The power press (1814) and the manufacture of paper from wood-pulp (begun in 1854) made possible cheap and abundant reading matter. The telegraph, invented about 1837, laid the basis for instantaneous communication. The first trans-Atlantic cable (1858) annihilated the water barrier to thought. The telephone (1876) and the wireless (1896) brought the more remote parts of each country and of the world within easy reach of the centers of civilization, while the radio-phone (1921) enables millions to sit around a common table for thought, instruction or enjoyment. The camera (1802) supplemented by the moving picture process (1890) has enabled those who do not read to secure information that was formerly reserved for the learned and the cultured. Thus steam, electricity, and a number of other discoveries and inventions in the realm of natural science have brought the minds of the world in as close touch as were the inhabitants of a fifteenth century Italian city.

The effects of industrialism date only from history's yesterday, yet its results have already been momentous and far-reaching. This is particularly true of the close dependence of industries upon supplies of raw materials and fuels, of the volume and the variety of the goods produced and transported, of the speed with which communications are sent, of the widened opportunities for travel, and of the immense amount of information on the printed page and the film that goes, each day, from one part of the world to another.

Nature has not scattered coal, iron, copper and sugar-land over the earth in the same lavish way that she has distributed air and sunshine. On the contrary, the important resources from which industry derives its raw materials and its fuels are found within very limited areas to which the remainder of the world must go for the commodities that supply its basic industries.

Within each country raw materials are produced at one point and shipped elsewhere. Ore, coal, grain and meat-animals make up the bulk of the freight tonnage in Europe, in America and in Australia. A similar economic relation exists between the various countries, some of which produce far more than their proportionate share of minerals and fuels. Thus, in 1913, the United States, with but 7 per cent of the world's population, produced 36 per cent and consumed 37 per cent of the world's iron ore supply. The figures for the other important nations were: ("World Atlas of Commercial Geology," Dept. of the Interior, Washington, 1921, p. 27)

	Per Cent Produced	Per Cent Consumed
Germany	20	27
Britain	9	14
France	12	7
Russia	5	5
Belgium	0	4
Spain	6	1

Only in France and Spain did production exceed consumption. Four of the remaining countries used more iron ore than they produced, which meant that they were forced to depend upon some other country for their supply. Belgium, with her many industries, imported practically all of the iron ore that she used.

Coal furnishes an even more striking illustration of the economic dependence of one part of the world upon another. The production and consumption of coal, for 1913, in millions of tons, were as follows:

THE NEXT STEP

	Tons Produced	Tons Consumed
United States.....	517	495
Britain	292	217
Germany	191	167
France	40	60
Italy	1	10
Austria-Hungary	17	30

The United States, Britain and Germany produced, in this one year, 121 millions of tons of coal that were either stored or exported. France, Italy and Austria, together with many of the smaller industrial countries of Europe were forced to depend upon their neighbors for coal. In the case of Italy, practically all of the coal used was imported.

Again, the United States and Spain are alone among the principal countries producing a surplus of copper. Out of a consumption (1913) of 127,000 tons, Britain imported 126,572; France imported 91,437 of the 91,486 tons consumed, and Germany, out of 259,300 tons consumed, imported 234,000 tons.

These figures of the production and consumption of iron, coal and copper tell the story of an economic interdependence that makes isolated industrial life virtually impossible. Manufacturing and transport depend for their maintenance upon minerals and fuels, and those countries that propose to manufacture and to transport must either produce minerals themselves or depend upon some other country that does produce them. In practice, a few countries are enabled to produce more of the minerals and fuels than they themselves use, and to sell the surplus to their needy neighbors.

With the spread of the industrial system, this dependence will increase rather than diminish because of the way in which the reserve supplies of minerals and fuels are distributed. The principal deposits of iron, coal, copper and petroleum are apparently in the Western Hemisphere, and particularly in North America. In so far as this is

true, the remainder of the world will be compelled to look to the Americas for these basic commodities. Out of a total world product of iron ore (1913) of 177 millions of tons, the United States produced 63 millions (over a third) because that country is far better supplied with available iron ore deposits than is any other country. Since the war, France holds the second largest deposits, but the third largest are in Newfoundland, the fourth largest in Cuba, and the fifth largest in Brazil, whose "enormous deposits are almost untouched" ("Atlas," p. 26). As for coal, about three-fourths of the world's known reserves are in North America. The largest known reserves of copper are in North and South America—those of Canada and Mexico are comparatively important; those of Chili probably greater than any other country except the United States. Petroleum is also highly localized. Between 1857 and 1918 the world's production of petroleum was 1,005 millions of tons. Of this total, three-fifths came from the United States, while seventeen-twentieths came from the United States and Russia. Indeed, resources are limited and localized to such a point that the economic survival of many parts of the industrial world depends upon the continued importation of raw materials from other countries or from other continents.

This localization of resources has resulted in a corresponding localization of many of the basic industries. Germany thus became a manufacturing center and Argentina a producer of food. Necessarily these two countries exchange their products, the Germans eating Argentinian wheat reaped by German machinery. So complete has this specialization become, that industrial communities, and even industrial countries, like Britain and Germany, have ceased to produce sufficient food for their maintenance, and have relied, instead, on the American, African and Australian grain fields.*

* Before the war Great Britain imported about half of her food. By 1920 she was importing about three-quarters of it. On the basis of the 1919-1920 harvests, British wheat sufficed for less than a third of the British population. See "The Fruits of Victory," Norman Angell, Glasgow. Collins, 1921, p. 9.

In order to buy wheat, these countries must sell manufactured goods. In order to manufacture, they are compelled to import the raw materials and fuels—cotton, copper, rubber, petroleum, coal, iron. The countries with highly developed industries have therefore ceased to be self-sufficient. Their whole economic life has become a part and parcel of the life of the world.

This world interdependence is reflected in the growth of world commerce from a total value of 1,659 millions of dollars in 1820, 4,049 millions in 1850, and 20,105 millions in 1900, to 75,311 millions in 1919. Meanwhile, the nominal tonnage of steam and sailing vessels increased from 5.8 millions of tons in 1820 to 12.3 millions of tons in 1850, to 20.5 millions in 1900, and to 32.2 millions in 1919.

Resources are sought after, raw materials are transported and manufactured into usable products, manufactured products are exchanged for food and raw materials, and the cycle is thus completed. In its course, all of the principal countries and all of the continents are drawn upon for the means of maintaining economic life.

While the industrial revolution broke the spell of isolation that lay so heavily upon the remote parts of the world, the driving power of the economic forces that followed in its wake, has battered down the geographic barriers that separate men, almost to the vanishing point. Peoples work together, exchange the products of their labor, travel, accumulate and spread news, broadcast ideas and organize and co-ordinate business ventures and labor unions, without any great consideration for geography, and despite the political boundary lines that separate nations. A century of rapid economic development has brought the world into a physical unity the like of which it has never before experienced.

Through the ages, human brotherhood has been the theme of philosophers and poets. Recent economic changes have established a world fellowship, not, to be sure, of the kind

about which utopists had dreamed, but one growing out of the exigencies of world interdependence.

Tens of millions are to-day co-operating in production and exchange, not because of any sweet reasonableness but because the pre-emptory demands of existence leave them no choice. Of necessity, therefore, since they are in constant touch with one another, they begin to learn one another's little ways; to inquire into the personalities of the "foreigners" that pass them on the street, work with them elbow to elbow in the shops, and eat with them at the same restaurant tables. This new brotherhood is an outgrowth of day-to-day relations in an industrial community.

Old time questions were of a kind that divided men. "Are you a Christian?" "Where were you born?" "Can you speak Spanish?" No matter how a man answered these questions he got himself into difficulty. If he was a Christian, he found two-thirds of the world confronting him with different religious beliefs. If he was born in France, he was compelled to assume all of the enmities, hatreds and antagonisms felt by Frenchmen for their rivals. If he spoke anything except Spanish, he was a "foreigner" in Spain. The old world was a separatist world, lined with walls, fences, boundary stakes and frontiers.

Modern questions bring men into touch with one another. "Can you repair a locomotive?" "Do you understand coal mining?" "Can you carry us safely to Japan?" "Will you take shoes in exchange for petroleum?" "Are you able to get along with people?" "Have you any surplus wheat?" "How do you suppose we can get rid of the boll-weevil?" "Let us show you a new style tractor." If a man can repair an engine, he is wanted in an engine shop. If he can dig coal, he is needed in a coal mine. If he has shoes to exchange for fuel, he finds a ready customer. If he can get along with an odd assortment of his fellows, he is in demand everywhere. The new world is a co-operative world in which people are

working together, living together, thinking together; and a test of man's capacity to take part in its activities lies in his ability to be an effective, co-operating member of a world group.

4. *The Basis of a World Program*

With economic life established on a world scale, it is inevitable that the range of men's thoughts and the lines of their social groupings should assume the same general scope. The late war made it quite apparent that war means world war, and that a real peace is impossible unless it is a world peace. The post-war experience has shown with equal clearness, that prosperity means world prosperity, and that it is impossible to destroy the economic well-being of an integral part of the world without destroying the well-being of the whole world. These things were suspected before the war, when they formed the themes of moral dissertations and scholarly essays, of syndicalist pamphlets, socialist programs and revolutionary appeals. But it required the hard knocks of the past eight years to lift them so far out of the realm of theory into that of reality, that any thinking human being who faces the facts must admit their truth.*

The economics of the modern world make it inevitable that thinkers on public questions, particularly on economic questions, should frame their thoughts in world terms, and that the practical plans for the organization and direction of human affairs should be built around an idea which includes these three elements:

* The Manchester Guardian Commercial, Supplement for April 20, 1922, page IV, carries an advertisement signed by Sir Charles W. Macara, Chairman and Managing Director of Henry Bannerman and Sons, Ltd., Chairman of the Manchester Cotton Employers Association, etc., which contains a very forceful presentation of this point. "It is impossible for any country to expect to win economic success at the expense or in total indifference to the success of others. . . . The good of one country is bound up with the good of another, and it is only by studying what will be mutually advantageous that we shall find the key to our good fortune. . . . The whole world is interdependent, and you cannot injure one member of the international body without injuring all the rest."

1. *Any workable plan for the organization of the world must have an economic foundation.*
2. *Such a plan must include all of the economically essential portions of the world. It will be ineffective if it is confined to any one nation, to any one group of nations, or to any one continent.*
3. *Such a plan must rely, for its fulfillment, on world thinking and world organization.*

These propositions do not imply that economic forces and world organization must become the centers of exclusive attention. There are potent forces, other than economic ones, and there are forms of local organization that must be developed or perpetuated as a matter of course. But for the moment the economic forces and the world phases of organization have assumed a position of primary importance.

5. *The League of Nations Failure*

The principal scheme recently advanced as a means of co-ordinating the life of the world—the League of Nations Covenant—violates all three of these essential principles. In the first place, the League Covenant, with certain minor exceptions, is a political and not an economic document, devoting its attention to territorial integrity and the preservation of sovereignty, and passing over such economic problems as resource control, and the competition for raw materials, markets and investment opportunities as though they were non-existent. In the second place instead of concerning itself with all of the integral parts of the world, it treats nations other than the “big five” (Britain, France, Italy, Japan and the United States) as though they were of second or of third rate importance. China, India, Germany, Russia and Latin America, with considerably more than half of the world’s population, and with at least half of the world’s essential

resources, were slighted or ignored. In the third place, the League Covenant is not based on world thinking. On the contrary, it was designed to set up one part of the world, the victorious Allies, against four other parts of the world: the enemy countries, Soviet Russia, the undeveloped (unexploited) countries, and the small and powerless countries. Political, sectional and provincial in its point of view, the League, as a means of world organization, was destined, from its inception, to pathetic failure. World economic life is an established fact of such moment that it must be reckoned with in any scheme for social rebuilding.

A capacity for organization and for conscious improvement distinguishes man from most of the animals. In the past, men have organized the army, the church, the city, the nation, the school. The events surrounding the industrial revolution have placed a new task on their shoulders—the task of organizing world economic life.

Without doubt this is the largest and the most intricate problem in organization that the human race has ever faced. On the other hand, the interdependence of economic life invites co-ordination, while the advances in organization methods, particularly among the masses of the people, render the transition from local to world organization quite logical and relatively easy—far casier, certainly, than the first hesitating steps that the race took in the direction of co-operative activities. Even though the task were far more difficult than it is, the race must perform it or pay an immense price in hardship, suffering and decimation.

The work is already begun. Private capitalists have built world systems of trade, transport and banking. Soviet Russia has made an heroic attempt to organize one portion of the earth's surface along economic lines. For the most part, however, the task of co-ordinating the world's economic life awaits the courage and the genius of a generation that shall add this triumph to the achievements of the race.

6. *Axioms of Economic Reorganization*

Certain well-defined and widely understood principles, that might almost be called axioms of social procedure, are to be reckoned with in any effort at world economic reorganization. For convenience of discussion, they may be summarized thus:

1. *The wheels of industry must be kept turning smoothly, regularly and efficiently.*

A country like Russia, consisting, for the most part of agricultural villages, can survive, even though machine industries practically cease to function, while such countries as Germany and Britain, built of Bremens, Hamburgs, Essens, Glasgows and Manchesters are dependent for their food supply as well as for their supply of raw materials upon the continued production and transport of commodities. The State of Rhode Island, with its 97.5 per cent of city and town dwellers, typifies this dependence. Given such concentrated populations engaged in specialized industries, and the cessation of production means speedy starvation for those that cannot migrate.

2. *Provision must be made for improvements and betterments.*

The increase of population and the normal advances in science and industry both demand a volume of product adequate to cover the necessary increases in equipment.

3. *The people who do the work must dispose of the products they turn out.*

They may consume them all, or they may reserve a portion of them for new roads, for additional rolling stock, for the advancement of art and learning. Whatever the character of the decision, the right and power to make it rests with those who produce the goods of which a disposition is being made.

4. *Justice and fair dealing must be embodied in the scheme of production and distribution.*

This does not mean absolute justice, but as much justice as the collective intelligence and will of the community are able to put into force. For the attainment of such a result, the forms of social life must be constantly altered to keep pace with economic change.

5. *The foregoing principles must apply, not to one man, or class, or people, but to all men, all classes and all peoples.*

Recent events have shown that an injury to one is an injury to all. Reasoning, foresight and experience will convince the people of the world that a benefit to one is a benefit to all. While men continue to live together, their livelihood problems must be thought about collectively, and the solutions that are determined upon must be applied to all, without discrimination.

How shall such results be obtained? By what means is it possible to lead men to a world vision? Who can persuade them to work toward the building of a sounder society than that with which the world is now laboring?

Of all the issues that confront the teachers of men, this is one of the most pressing and most insistent. Those who have taken upon themselves the task of seeking out and of expounding ideas have seldom faced a graver responsibility than that with which they are at the moment confronted. World facts demand world thoughts and world acts, before the human race can adopt saner, wiser and more enlightened economic policies. World thoughts and acts are impossible without world understanding. Therefore it is world understanding that is most imperatively needed in this critical hour.

The people of the world have many things in common—economic interests, science, art, ideas, ideals. Ranged against these common interests there are the traditions, prejudices,

hatreds, national barriers, sectarian differences, language obstacles and racial conflicts that have proved so effective in keeping the peoples separated. The common interests are the vital means of social advancement, and it is upon them that the emphasis of constructive thinking must be laid in an effort to promote world understanding.

There is no need to apologize, then, for adding to groaning library shelves a book dealing with world economics, the purpose of which is to propose a plan that will pull together the scattered threads of world economic life. The time is so ripe for an examination of these problems that no man may consider himself informed who has not pondered them deeply, and no man may consider that he has done his duty as a member of this generation, who has not helped, at least in some degree, to unify the world's economic activities. Most particularly does this apply both to the statesmen and other public men who are striving to rejuvenate a dying order, and to the organizers and leaders of the new order that is even now pressing across the threshold of the western world.