

## CHAPTER I

### THE CRISIS: LABOUR AND CAPITAL

"The reason that America was set up was that she might be different from all the nations of the world is this: that the strong could not put the weak to the wall, that the strong could not prevent the weak from entering the race. America stands for opportunity. America stands for a free field and no favour. America stands for a government responsive to the interests of all. And until America recovers those ideals in practice, she will not have the right to hold her head high again amidst the nations as she used to hold it."—WOODROW WILSON, *The New Freedom*, Chap. IX, p. 221.

THAT the Government of this country is face to face with a great crisis no one will deny. The nature of this crisis is dual, economic and political, each having numbers of attendant issues assuming each day a more and more threatening aspect. Yet there was never a time of such serious official indecision. The people themselves are suspicious, dissatisfied and anxious; they feel that another war of another kind is upon them. The journals of the country tell us of nation-wide unrest, but no one tells us of reform. Indeed, it is said on every hand that reformers better keep quiet. So to all dissentients, no matter to which class of society they belong, there goes forth the edict of intolerance, "Thou shalt be suppressed."

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But there is only one of the many instances of the shortsightedness of public men who supported the policy of suppressing the truth of European affairs. It is the same policy which was exercised by the autocracy of Russia, the same which the Governments of Austria and Germany pursued, the policy which at length brought their Governments tumbling to the ground. It is a futile policy. It always was a futile policy, and now sufficient experience of its crass failure is before the eyes of any one that can read, it is criminal folly for Americans to pin their faith to it for another day. No matter how autocratic a government may be, how relentless in censorship and police surveillance, the truth will out. Indeed suppression itself sharpens the intelligence of those who have felt its force.

It is curious to notice the part now played by the daily press with regard to international affairs. Since the censor has relaxed the stringent rules which governed the distribution of news, the thousand and one problems of the nations which were evident to the intelligent Europeans before the war and during all phases of the war, but which were not openly discussed while the conflict raged, are now anybody's property, and daily the papers publish columns of what a few weeks ago the censor would have considered highly inflammable information.

If, therefore, international questions can now be freely discussed, what logical reason is there for suppressing the discussion of domestic problems which affect the whole future of the commonwealth? Now these questions of a domestic nature are usually summed up under these two headings: Labour and Capital, the two active factors in production. Difficult as it is for the majority of men to understand

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European problems, it is far more difficult to get an intelligent expression of ideas on labour and capital, though the community be brought daily in contact with the functions of these two factors in production. Regrettable as the assumption may be, there seems less understanding now than in the days when Lincoln and Douglas discussed the question. What does it all mean? Does it really mean the public have lost interest in political economy and the principles of true democracy?

A little time ago at Atlantic City there met together the Reconstruction Congress of the United States Chamber of Commerce. From the scanty reports published in the New York papers there seems to have been one man who was not afraid to come to grips with the very vitals of domestic problems. Mr. Charles M. Schwab told us, "We face a great change in the social structure of this great country, a change, to my mind, ultimately for the better, for the happiness of mankind, a change of true democracy." Here he named the pressing need of the hour. Mr. Schwab said:

"I am one of the men who believe in the fairness of American labour. I am one of the men who believe that the only foundation upon which our prosperity can permanently rest is the economic use of everything, whether it be labour, material, manufactures, or what not. Any organization, labour or capital, that is on a false basis, must fail.

"We started, some twenty years ago, on a series of exploitations that many people called trusts, and there were many such concerns organized that had as their prime motive the artificial idea of either restricting production or increasing the selling price. You have seen them, one after the other, fall and fade away. What has been true of capital will be equally true of labour, and therefore the American labouring man must realize that his perma-

nency and success, and the success of the nation, will depend upon labour conditions and capital conditions that are founded on economic principles first of all.

"Many unjust demands will be made by labour, as they have been made by capital in the past. The thing we have to do is to teach, not patronize; to educate, and to have the American labourer know and feel that he can stand with his head in the air, as you can and as I can, and say with pride, 'I am an American citizen.'"

Here are ideas which should not bear two interpretations. The sentiments of the speech are unique. Coming from a man of vast commercial interests, one who has been in direct contact with many vicissitudes of labour and capital, and latterly passing from an unprecedented experience in organizing a great industrial enterprise for the Government, they are worth the serious consideration of all people. There are points raised in this speech which remind one of those which animated Cobden and Bright eighty years ago when they began their crusade of reform. They were business men of vision, men who were brought daily in contact with the condition of labour. Well might we ask what prompted Mr. Schwab to open up these vital questions at this time, for such a speech indicates that there is something radically wrong, something that must be set right with the least possible delay. He said, "we face a situation today that is exceedingly critical and requires the attention of every astute mind in the country." These are grave words. They are not the utterances of an irresponsible alarmist, for they bear all the evidence of reason and earnest deliberation.

Mr. Schwab has taken the first step. So far so good. The question now is this: is he prepared to

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go further? He has opened up the whole economic, political, fiscal, and industrial question. But that is not enough. It is necessary to know what he means by "true democracy," how he defines the term. Does he give it a mere political twist, or is the true democracy he has in mind one having its roots in economic justice? Mr. Schwab himself must know that this question is justifiable. Who should know better than he that under a political democracy of adult suffrage and the purest parliamentary form, all the evils of a false economic system may exist, the profound conflict in which labour and capital have been engaged may persist, and hunger, disease, and deep discontent may affect the lives of millions? Therefore, it is essential that Mr. Schwab come forward and define his terms. Will he say what he means when he speaks of true democracy?

There are other terms which he might define. Let me point out several terms and phrases which must be defined correctly if we are to understand clearly what radical change he would make. He says, "The only foundation upon which our prosperity can permanently rest is the economic use of everything, whether it be labour, material, manufactures, or what not." Is it to be understood by the phrase, "the economic use of everything," that Mr. Schwab means that everything is to be used in an economic manner and put to its full economic use? Again, what does he mean by "everything"? Does he mean all natural resources or the economic use of merely the surface of the earth? Surely he does not mean anything so limited as capital proper: plant, buildings, etc. If in the word "everything" he includes all natural resources, then the sooner everything is put to economic use the better for us

all. And what is his definition of labour? This is all-important. For instance, does he use the term "labour" in the sense used by a trade-unionist? Or does he include in the category of labour — "brain workers," as those who do perform actual manual labour sometimes designate those who belong to the professions.

Though Mr. Schwab cannot lay down general rules for the labour question, he tells us that, "any organization, labour or capital, that is on a false basis, must fail." What might he not do for the safety of the commonwealth if he were to state clearly and distinctly what he means by a "false basis." He certainly suggests that capital has to a great extent been organized on a false basis. He reminds us that, "we started, some twenty years ago, on a series of exploitations that many people called trusts, and there were many such concerns organized that had as their prime motive the artificial idea of either restricting production or increasing the selling price." This statement leads one to imagine that he is conscious of the nature of the false basis on which such concerns were organized. Twenty years ago takes us back to Mr. McKinley and high protection, when exploitation was rampant. But Mr. Schwab says that we have seen these organizations, "one after the other, fall and fade away." This is exceedingly interesting. The face value of the statement is not nearly so precious as the confession which is implied. But what follows is not anything like so clear as the other points in the speech. Mr. Schwab says, "What has been true of capital will be equally true of labour, and therefore the American labouring man must realize that his permanency and success, and the success of the na-

tion, will depend upon labour conditions and capital conditions that are founded on economic principles first of all."

What is the relationship of the American labouring man to the organization of capital, called trusts? What connects them up in Mr. Schwab's mind is obscure, unless we are to infer that there is danger in labour organizing on a false basis. The basis then would be utterly dissimilar to that of the trusts. Certainly exploitation could not very well be used by labour against capital. Perhaps Mr. Schwab may mean that the power to strike gives to labour a power to exploit capital by forcing higher nominal wage and shorter hours from capital. But this is only another way of saying labour desires to pay capital less interest for its use, a perfectly legitimate desire, but one that in practice has seldom brought any benefit to labour. The confusion here ought to be clarified, and few men are in a position so advantageous as Mr. Schwab for applying a keen business instinct and a vast industrial experience to dispersing the deplorable economic fog which has settled on questions of this kind. He should, however, be taken at his word when he says, "the success of the nation will depend upon labour conditions and capital conditions that are founded on economic principles first of all." No one wants a better platform than this.

Economic principles first of all are essential if we are to make any attempt at reform; they are indispensable if we are to insure the future of the commonwealth. This then means free discussion of all the problems which have beset us for a generation or more. Yes, we must teach and educate the American labourer, but who will teach and edu-

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cate our capitalists and politicians? Who is likely to command more respect than Mr. Schwab himself? What is required is a man of his commercial experience, his inclination to master the fundamentals of political economy, a man of his resolution, his sagacity, and his courage. Will he take up the task? Will he give labour and capital a lead? To those who are sure to say, why not seek a leader among the tried and respected politicians, the reply is that the undertaking must be kept free from party-prejudice. Besides, who is there in the vortex of party politics that has so freely stated ideas of reform, and who seems to have as clear an understanding of what is wrong? Who talks of "true democracy" and "economic principles" first of all? Who desires "the American labourer to know and feel that he can stand with his head in the air, as you can and as I can, and say with pride, I am an American citizen"?