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TWO AMERICAN CONCURRENCES IN THE 'INDUSTRY COUNCIL PLAN'

by

Thomas Raymond Overkleeft

A Thesis Submitted to the Faculty of the Institute of Social and Industrial Relations of Loyola University in Partial Fulfillment of the Requirements for the Degree of Master of Social and Industrial Relations

June

1954

LIFE

Thomas Raymond Overkleeft was born in Grand Rapids, Michigan, November 20, 1923.

He was graduated from Catholic Central High School, Grand Rapids, Michigan, June 1941, and from Aquinas College, June 1948, with the degree of Bachelor of Arts.

The author did post-graduate work at Aquinas College and at the 1949 Summer School of the University of Fribourg, Switzerland. He began his graduate studies at Loyola University in September 1950.

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CHAPTER I

INTRODUCTION

In 1931, Pope Pius XI issued his now-famous encyclical, Quadragesimo Anno. The Pontiff honored the fortieth anniversary of his predecessor's encyclical, Rerum Novarum. In the latter, Pope Leo XIII crystallized Catholic social thinking regarding "the condition of the laboring classes" and suggested various remedies, stressing the right of free association of employees and employers, the dignity of the individual person, and the social nature of life, economic and political. Pius XI, in explaining and bringing up to date this worthy document, called for a "reconstruction of the social order" embracing two aspects: a reformation of morals and a reorganisation of the socio-economic institutions.

A commentary on the ethical aspects of the papal social principles is scarcely necessary.[1] And the matter of a reform of personal morals is primarily within the domain of religion and its ministers. However, any change in societal structure involves the sociologist, and also the economist when such social reorganisation hinges on economic theory and practice.

In the problem of applying the papal statements to American

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1 Consult the annotated reading lists in John F. Cronin, S.S., Catholic Social Principles, Milwaukee, 1950, 734-735.

life, we run into several problems. One of these centers around the objection that the Popes' program is a "specialized", "parochial", or "Catholic" approach. If it can be shown that the principles and structure of the Church's social teachings find agreement among non-Catholics and among leaders in the fields where the proposals impinge directly upon such areas, then Catholics need be less "apologetic" about their social principles. An investigation of two such "outside" authorities should prove beneficial in implementing the via media approach of the papal program, a moderate position among extremist solutions.

John Maurice Clark and Samuel Seabury are two men whose approaches are herein considered in detail. Clark[2] offered in 1947 an analysis of the American economy and some possible aids in solving its problems.[3] At present, he is John Bates Clark Professor of Political

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2 "Among American economists John Maurice Clark holds a unique position. Not only has he pushed beyond the boundaries of conventional economics to develop his own 'social economics,' but he has also been very intimately connected through family associations with the development of American economic thought since 1885. . . . No economist has been better situated to absorb what was worth while in neo-classical thought, and to carry that type of economic thinking to still higher levels of scientific achievement. . . . It is a tribute to the independent character of John M. Clark's economic thinking that he has not confined himself to the work of carrying on economic investigation from the point at which his father left it. Instead the younger Clark has struck out into new fields of scientific interest where much of the older systematic economics of his father's generation is of little aid, where a new scientific orientation and new conceptual tools are essential for the tasks at hand, and where the symmetrical body of theory of the nineteenth-century economists cannot be duplicated to any great advantage."—Allan G. Gruchy, Modern Economic Thought, New York, 1947, 337.

3 John Maurice Clark, Alternative to Serfdom, New York, 1948. This is the principal work used in considering any agreement between his program and that of the Encyclicals.

Economy at Columbia University. Judge Seabury[4] propounds his contribution to the field from his position as a noted constitutionalist and backed by a wealth of experience on the bench and in legal societies.

Primarily, this thesis will attempt to show how these two men analyze the present economic problem, what they call for in reorganizing the community, and where they agree with the Papal Program. If their attitudes coincide with the approach of the Encyclicals as explained and delineated by supporting papal statements and various commentators, then one barrier to the acceptance of this program will have been attacked. The only purpose of this thesis is to ascertain to what extent two American thinkers are in agreement with the principles suggested by the social Encyclicals. If there is agreement, then it would indicate that the Papal Program, as a natural, common sense approach to the distressing problems of our economy, deserves fuller study by Americans.

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4 Samual Seabury, The New Federalism, New York, 1950. Judge Seabury will be remembered as the impartial investigator chosen to look into the court scandals of the municipality of New York City at the beginning of the 1930's. His record for unbiased, liberal, progressive interest in social matters is well-known.

CHAPTER II

THE PAPAL PROGRAM

Strikes, lockouts, inflation, deflation, socialism, profiteering —the terms indicate social problems. And the social unrest implicit in our immediate recognition of the words testifies to the urgency and magnitude of the difficulties. Coffee prices go sky-rocketing; farm commodities suffer a decline in selling price; unemployment increases, and so do the bankruptcies. Labor-management legislation becomes embroiled in vindictive class antagonisms. The economic fabric of the country seems less well-knit as pressure groups compete for tax favors, as subsidies and tariffs become household expressions with economic groups jockeying for position. The partial social collaboration of the World War II period, when the nation was bent on preserving its independence and freedom from external sources, is lost, and no cooperative spirit rises to unite the people in battling their own internal problems which flow from socio-economic mal-organization. Of organizations there are many, possibly too many.[1] But competing groups are too often warring groups. Of the present problems, we are all aware. Their causes and especially their solutions present the problem.

The Papal Program proposes justice and charity as remedies where injustice and strife now exist. Justice is to be sought through education,

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1 Joseph P. Fitzpatrick, S.J., "This Over-Organized Society", Commonweal, New York, LIX, January 1, 1954, 332-335.

organization, and, where necessary, legislation. The organization envisioned is an organic society, based on collaboration and cooperation among the social and economic groups, seeking the common good at all levels of economic and political life; it is to replace class struggle and ruthless competition, and tends toward the diffusion of economic power, through widespread ownership of productive property, as the best guarantee of freedom. At the same time there is asked cooperative action of owners and workers for the highest level of production and the soundest methods of distribution.[2]

Pope Pius XI, in Quadragesimo Anno, presents a positive program for the social and economic reconstruction of the social order, within an institutional framework that has been termed "the Industry Council Plan."[3] The Papal Program does not present the technical steps which would lead to this reconstruction. Precisely, the Pontiff explains that it is outside of the scope of the Church's competence to intervene in "Matters of Technique for which she is neither suitably equipped nor endowed by office."[4] Thus, as regards the purely technical, the mechanical, analytical sides of the field of economics, the Pope remains silent. He leaves such areas to the

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2 John F. Cronin, S.S., Catholic Social Principles, Milwaukee, 1950, 725.

3 This terminology was voted on and accepted by the American Catholic Sociological Society and subsequently in its statement "The Christian in Action" noted by the American Hierarchy in November, 1948. In Quadragesimo Anno the terms ordines and collegia ordinum are employed, but the writer of this thesis tentatively uses the current provisional American terminology for the functional associations to which the Pope refers.

4 Pius XI, Quadragesimo Anno, National Catholic Welfare Conference, Par. 41. All references to Q.A. will be from N.C.W.C. source.

theorists and experts. However, the general principles of such a program are explicitly detailed. Society must be reorganized so that its institutions will protect the liberty of its individual members while promoting the common good. "The common good, or public welfare, may be defined as the aggregate of those material, spiritual and institutional conditions which must exist so that all the members of society can provide for their physical and moral needs."[5]

To secure this objective, we must first recognize that the end of society is the attaining of the common good. By promoting the common good, society attains the separate goods of individuals also. All human activity must be directed toward this goal if society is to prosper. The purpose of economic institutions is the same common good, including primarily "to secure without interruption the material conditions in which the individual life of the citizens may fully develop."[6] The attaining of this objective, the supplying of each and every individual with all the goods necessary for decent comfort and a complete life, is the main care of those involved in social economy. As Pius XI states:

> For then only will the social economy be rightly established and attain its purposes when all and each are supplied with all the goods that the wealth and resources of nature, technical achievement, and the social organization of economic life can furnish. And these goods ought indeed to be enough both to meet the demands of necessity and decent comfort and to advance

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5 Francis J. Haas, Man and Society, New York, 1930, 201.

6 Pius XII, La Solennità della Pentecoste, Par. 1685, in H. C. Koenig (ed), Principles for Peace, Milwaukee, 1943, 725.

people to that happier and fuller condition of life which, when it is wisely cared for, is not only no hindrance to virtue but helps it greatly.[7]

Pius XI stresses "the two-fold character, that is individual and social," of economic life, and points out the return of economic activity to right and sound order if it is made to "conform to the needs of the common good."[8]

However, this acceptance of the common good as the ultimate end of economics is merely the first step in any program of social reorganization. How do we attain this common good?

The goal can never be reached unless there is cooperation. Cooperation is a basic socio-economic principle, and it is needed to overcome the strife, class conflict, and unregulated competition so characteristic of modern economic life. Labor versus capital, workers versus managers, employees versus employers—the conflict has split our industrial society into two camps. This country has been spared the venom of the Marxist poison of class conflict, but even here the existence of conflict is quite evident. Even the opposing camps are subjected to internecine struggle as worker is pitted against worker (the idea of the labor market) and employer against employer (cut-throat competition and monopolistic practices). This conflict is recognized and deplored by Pius XI.

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7 Pius XI, Quadragesimo Anno, Par. 75.

8 Ibid., Par. 110.

> In actual fact, human society now, for the reason that it is founded on classes with divergent aims and hence opposed to one another and therefore inclined to enmity and strife, continues to be in a violent condition and is unstable and uncertain.[9]

And the same Pontiff admonishes that "First and foremost, the state and every good citizen ought to look to and strive toward this end: that the conflict between the hostile classes be abolished. . ."[10]

Thus, the second step in the reorganization of the social order involves the elimination of class conflict. This is recognized by most students of social affairs. Labor unions have stressed labor-management cooperation. Management has underwritten "human relations" programs. Government has encouraged collaboration between opposing groups through social legislation regarding mediation, arbitration, the imposing of sanctions for anti-social industrial conflicts. There has been increasing recognition of the common interests of all who participate in an industry or profession. Their divergent claims too often overshadow their joint interests as a result of the present basic weakness of modern industrial society in which there are numerous means for pressing the special interests of labor and employer groups, but few methods for fostering and securing their mutual interests. If organization into labor unions and trade associations has produced acceptability for attaining the distinct needs of these groups, then it is even more acceptable to promote organizations

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9 Ibid., Par. 82.

10 Ibid., Par. 81.

which would seek their common interest and mutual concerns and thus foster the common good of society through the cooperation of all plants and industries on all levels for the good of all. As Pius XI writes:

> Because order, as St. Thomas well explains, is unity arising from the harmonious arrangement of many objects, a true, genuine social order demands that the various members of a society be united together by some strong bond. This unifying force is present not only in the producing of goods or the rendering of services—in which the employers and employees of an identical Industry or Profession collaborate jointly—but also in that common good, to achieve which all Industries and Professions together ought, each to the best of its ability, to co-operate amicably. And this unity will be the stronger and more effective, the more faithfully individuals and the Industries and Professions themselves strive to do their work and excel in it.[11]

What are these "Industries" or "Professions" (in other places referred to as "guilds" or "vocational groupings") to which the Pontiff refers? They have been called in America the Industry Council Plan.

> The "Industries and Professions" system, [Industry Council Plan] as expressed by Pope Pius XI, is a plan of collaboration between employers and workers acting with government. The basic unit of the System is the autonomous "Industry" or "Profession" in which the freely chosen representatives of the employers and workers cooperate toward the common good of their industry or profession and of the entire community. A national body or council representing all "Industries and Professions" would seek to maintain proper interrelationship and economic balance between these subordinate units. Government, the guardian of the general welfare, would supervise the system not in the role of a dictator but only to direct, watch, urge, or restrain the self-governing activities of each "Industry and Profession" and the activities of the national body in the common interest of the entire nation. Such is the structural outline suggested by Pius XI for the reconstruction of a national economy toward the common good.[12]

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11 Ibid., Par. 84.

12 Joseph D. Munier, Some American Approximations to Pius XI's 'Industries and Professions', Washington, D.C., 1943, 5.

The plan is a democratic solution for protecting personal freedom in the national economy by giving an individual an effective voice in his social and economic destiny through encouraging free organization and freely chosen representative participation of all individuals in the industries and professions, thereby discouraging totalitarian kinds of society.[13]

Thus, every person who is now engaged in an industry or profession belongs to that "Industry" or "Profession" simply because he is engaged in it. And these groupings of men who are in the same industry or profession are "if not essential, at least natural to civil society," as much as the groupings into communities of those who live near together. The Industry Council Plan substitutes a vertical organization of industry for the horizontal grouping with its concomitant class conflicts, abolishing class opposition by according to each member a place in society according to the social function he performs and not according to his arbitrary position in an impersonal labor market.[14] A natural organism is to replace the present class structure; no super-organization is deemed necessary, nor are these already existing natural groupings to be considered new or intangible.[15]

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13 Ibid., 1.

14 Pius XI, Quadragesimo Anno, Par. 83.

15 Edward Cahill, S.J., The Framework of a Christian State, Dublin, 1932, 471-472: "So, too, in the properly constituted State, there are several organic units intervening between the individual person and the completely organised body, such as families, municipalities, and social or professional classes. These are natural institutions like the State itself. Some of them, such as the family, are more imperatively demanded by the natural law, and more important for human well-being even than the State; while, others, such as municipalities, professional unions, etc., are founded like the State itself upon men's natural tendencies and needs, and although not so essential to the people's well-being as the State, are in accordance with the natural law."

Let us consider further our description of the Industry Council Plan.

The natural organization is the entire industry or profession. It is not the same as the free organization which is a special voluntary group within the industry or profession, e.g., labor union, trade association.[16] These free associations are recognized as stepping stones to the Industry Council Plan. Where labor or employers have organized, class conflict has often been lessened, unless the result of organization was merely to transfer the class struggle to a wider plane. Where such modification has taken place, as through collective bargaining and union-management cooperation, the process is one of worthy development and a transition to further collaboration envisioned in the papal program.

However, the Pontiff shares no delusions that such a transition will be easy or quick. He realizes that a change from an individualistic national economy to one for the common good, of production for use and service, will require time. But during this transitional period when subsidiary economic institutions are being developed into self-regulatory vocational groupings, the free associations can assist in the development of the organic structure of society.

> For an American, it is not easy to visualize precisely the social structure approved by the popes. One of the great experts on Catholic social theory, Father Gustav Gundlach, S.J., speaking of the United States, said that here "there exists neither the real nor the moral prerequisites for a true understanding of the idea of

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16 Compare Par. 87 with Pars. 83-84 of Quadragesimo Anno.

> the 'vocational order,' and still less for its realization." The idea of a society consisting of hundreds or thousands of autonomous producer groups, comprising all elements participating in an industry, handling their own affairs subject only to the overriding sovereignty of the State—all this is foreign to our experience. We started with atomistic individualism, developed this into group individualism, and modified the excesses of the latter with an extensive system of governmental regulation and control. We have had only limited experience—medical and legal societies for instance—with real vocational grouping possessing quasi-legal powers.[17]

As Father Cronin points out in the same article, the picture actually may not be as dark as it seems. The idea of vocational order according to function is becoming more acceptable among writers in the socio-economic field.[18]

In the society reconstructed according to vocational groupings, each Industry Council is an organized, autonomous unit of laborers and employers collaborating through their freely chosen representatives in promoting decisions with industry-wide application. Such cooperation means the existence of free, voluntary associations of laborers and employers, recognizing each other and in turn recognized by the state. Further, the employees and employers must be willing to develop harmonious relations and establish machinery for the adjustment of differences through an extension of collective bargaining, collaborating to improve the economic position of the industry through joint participation, and to attain the

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17 John F. Cronin, S.S., "Economic Research and the Social Encyclicals: Progress and Poverty", Review of Social Economy, X, March, 1952, 18.

18 Ibid., 19. Writers such as J. M. Clark, Peter Drucker, David McCord Wright, C. D. Edwards, Frank Tannenbaum, A. R. Heron, E. W. Bakke, and Neil W. Chamberlain are mentioned.

common good of the country as a whole. Thus, class conflict would be lessened since cooperation would oppose group combat, and labor unions and trade or employer associations would find their place within a larger grouping.

As another possible step toward the elimination of class versus class, the Pontiff suggests "the work contract be somewhat modified by a partnership contract, as is already being done in various ways and with no small advantage to workers and owners. Workers and other employees thus become sharers in ownership or management or participate in some fashion in the profits received."[19]

The Industry Council Plan embraces participation by the state. First, because the state is the primary overseer of the common good. A supreme authority is necessary to regulate minor social bodies, and the state fulfills this purpose. Then, the state has the obligation of actively promoting the general welfare, and "the reform of institutions [brings] the state. . . chiefly to mind."[20] However, the relationship of government to economic activities is one of subsidiarity. The modern state, overburdened with numerous tasks and duties which properly belong to other groups that have been atomized or destroyed, has lost a sound social structure.[21] The principle of subsidiarity, in which no higher organization

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19 Pius XI, Quadragesimo Anno, Par. 65.

20 Ibid., Par. 76.

21 Ibid.

undertakes what can be and is done by a subsidiary one, guarantees the autonomy of individuals and smaller social units, bolsters free democratic action, and excludes bureaucratic totalitarianism by tendering the reins of the economic scene to both workers and employers as the agents of production.

> The supreme authority of the state ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the state will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them; directing, watching, urging, restraining, as occasion requires and necessity demands. Therefore, those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of "subsidiary function," the stronger social authority and effectiveness will be and the happier and more prosperous the condition of the state.[22]

This same principle applies to all bodies in all phases of social life: political, economic, military, family, etc.

In the transitional period the state has the obligation of fostering and encouraging the organization of voluntary activity by good citizens and their participation in social and administrative process.[23]

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22 Ibid., Par. 80.

23 Munier, Some American Approximations, 14-16. Examples listed where such voluntary cooperation has worked include: National Labor Relations Act, Fair Labor Standards Act, Walsh-Healy Law, National War Labor Board, Office of Production Management, War Production Board, the Code Administrative Authority of the NIRA, Section 7a of the NIRA with its promotion of labor organizations, Consumers' Advisory Board, AAA of 1933 and 1938, Bituminous Coal Acts of 1935 and 1937, Railway Labor Act as amended in 1934, Shipbuilding Stabilization Committee, Manpower Commission's National Labor Management Comm., Defense Housing. An outstanding current example of participation of citizens is the voluntary work done by the famous Hoover Commission regarding the proposed changes in the workings of the Federal Government. Similar cooperation has marked the Little Hoover Commissions on the State level.

Let us consider briefly what the reorganization of the economy along the Industry Council lines implies.[24]

1. The common good is the end of economic activity. This common good is two-fold, embracing the individual good of the industry or profession and the general welfare of the nation as a whole, meaning a decent standard of living for all, partly through full production and adequate employment.[25]

2. Class conflict is lessened via the Industry Council Plan since all persons within an industry including owners, enterpreneurs, and laboring employees are members of a natural grouping and ordered according to their function in society instead of the unnatural grouping of capital and labor which is the arbitrary expression of their labor market position.[26]

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24 Francis J. Haas, "The Marks of Social Order", The American Ecclesiastical Review, CX, June, 1949, 449-457, suggests 1-God the End; 2-Full production; 3-Equitable distribution of wealth; 4-Industry Councils; 5-Limited government action; 6-Democratic representation of freely chosen, bona-fide spokesmen; 7-Enforcement since the social order demands that penalties, chiefly economic, be imposed for greed and selfishness, to secure compliance with majority decisions on justice and equity; and 8-Advertence to world conditions. Gerald J. Schnepp, S.M., "A Survey of Opinions on the Industry Council Plan", American Catholic Sociological Review, XII, June 1951, 75-83, lists 1-General welfare, 2-Moral reform, 3-Subsidiarity, 4-Autonomy, 5-Liberty, 6-Public-legal status, 7-Limited state intervention, and 8-Organic structure.

25 Pius XI, Quadragesimo Anno, Par. 85. "It is easily deduced from what has been said that the interests common to the whole Industry or Profession should hold first place in these guilds. The most important among these interests is to promote the co-operation in the highest degree of each industry and profession for the sake of the common good of the country."

26 Ibid., Par. 83.

3. Each self-regulatory[27] Industry Council is composed of freely-elected representatives of the completely organized employees and employers who collaborate for the benefit of their industry with the cooperation of legal authorities, in solving the problems of their group, relations with the state, and with other Industry Councils. Further, within each Industry Council when, "Concerning matters. . . in which particular points, involving advantage or detriment to employers or workers, may require special care and protection" the right of any group to deliberate separately is acknowledged.[28] Such matters, for employers, might be managerial methods or investment problems; for workers, they could include housing, health, child and family welfare, recreation, education, etc.

4. On the national level, a council of freely chosen representatives from all the Industry Councils would consider, with the assistance of the state, national economic policy. This cooperation extends to consideration of the international scene.

> Furthermore, since the various nations largely depend on one another in economic matters and need one another's help, they should strive with a united purpose and effort to promote by wisely conceived pacts and institutions a prosperous and happy international co-operation in economic life.[29]

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27 Heinrich A. Rommen, The State in Catholic Thought, St. Louis, 1945, 269, writes: "The ends of the many intermediary organizations between family and state, such as economic enterprises, professional groups, institutions of learning, and those for the promotion of a particular interest, are in their nature self-governing."

28 Pius XI, Quadragesimo Anno, Par. 85.

29 Ibid., Par. 89.

5. The government would assist in forming the Industry Councils during the change-over from the present atomized, individualistic system to the organic structure proposed. The state would restore the autonomy of subsidiary socio-economic groups, recognize their status by appropriate legislation, and as the sovereign authority would become disengaged from all interference, only "directing, watching, urging, restraining," as conditions merit and the common good demands. The establishment of a juridical and social order demands that the "intermingling and shameful confusion of the functions and duties of public authority with those of the economic sphere" be stopped.[30] Recognition of the public status of each organized Industry Council and of the national council would reduce the danger of statism. The state is not to substitute itself for the free activity of industrial groupings; nor must the industry councils, designed to promote the reconstruction of a better social order, be allowed to become involved in a political system of administration which serves particular political ends instead of the common good.

The tri-partite collaboration called for in the Papal Program is necessary on local and regional levels as well as the national. In the United States the structural deficiency of the industrial machinery has been connected with too much centralized governmental machinery, and reflects a lack of organization on lower levels and among the workers. Labor and business both have been too prone to depend on the government's

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30 Ibid., Par. 109.

power to assist them in achieving objectives which could have been resolved through collective bargaining or through collaboration of subsidiary groups with statutory autonomy. The Industry Council Plan does not impose a uniform structure upon all industries and professions. Each country will solve its reorganizational problems in the light of its own national culture, temperament, economic development and traditions, building with the principles enunciated in the Papal Program.

> In conclusion it would seem that the particular appeal of the "Industries and Professions" System of Pius XI is its fundamental and thorough democracy. The Pope's Plan of collaboration between employers, workers, and the Government represents a vital application of democratic principles and methods. That Plan would extend these democratic ideals from the political to the social and economic life of nations. It demands the protection of the right of all men through their organizations and freely chosen representatives to have a voice in the destiny of their own economic lives. The Encyclical is directly opposed to all regimentation from plutocratic, proletarian, or political dictators. Its principles point to an economic system where individual liberty is protected from arbitrary public authority, irresponsible private power, unregulated monopolies, and compulsory labor. In this industrial democracy of Pius XI's "Industries and Professions" System, authority and power come up from the individual worker, the individual employer, and the individual consumer—the type of authority and power which alone seems qualified to protect individual liberty and at the same time preserve the common good and the common security.[31]

In our analysis of two American writers, John Maurice Clark and Judge Samuel Seabury, we will consider their concurrences, or lack of same, in respect to (1) common good as end of economic activity, (2) the necessity of lessening class conflict, (3) the principle of subsidiarity, (4) formation of autonomous, legal-status, democratic economic groupings in an organic system on local, regional, national, and international levels, and (5) the particular relationship of government to such institutions.

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31 Munden, Some American Approximations, 134.

CHAPTER III

THE PROGRAM OF JOHN MAURICE CLARK

John Maurice Clark views our present society as one in transition and facing the problem of producing plenty and security in our group-organized economy, of establishing a cooperating economic community.[1] However, he asserts, "Economically we are not a community." United when threatened by foreign attack, we are divided in this democratic state in building an organized society with its functions and powers cementing together the many varied groups within the societal structure.[2] The problems revolve around liberties and duties, political and economic institutions, community and market mechanisms. The institutional setting of the economic system is one of the factors in his dynamic economics.[3]

"For the community needs rebuilding—nothing less. Our marvelous industrial development has diverted our attention from vital aspects of

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1 John M. Clark, Alternative to Serfdom, New York, 1948, 115-116.

2 Ibid., 3-4.

3 Bernard W. Dempsey, S.J., "Economics Implicit in the Social Encyclicals", Review of Social Economy, I, December, 1942, 12, considers the economics of Quadragesimo Anno as an institutional economics in the sense of being "concerned primarily with the rehabilitation of social institutions such that human economic efficiency can be maximized," but this apparently is not meant to associate the papal program with any particular methodological approach.

that task and has neglected them."[4] How we shall rebuild is Clark's question. According to one extreme plan the solution lies in centralized control. Another ensures the status quo. In between stand the people who are aiming at erecting a community based on freedom and democracy, preserving individual liberty and also social order, preventing undisciplined and disruptive excesses.[5]

In the economic sphere, the question resolves itself into how "our economic mechanisms operate to serve, to disserve, or to neglect the wants and needs of the people as a whole."[6] Clark posits the public welfare as the legitimate end of economic life. He goes further, in upholding the idea of natural rights, that the conception of man's nature, "his needs, reactions, and capacities—and of the arrangements he needs in order to fulfill his individual nature and to do his job in society" is fundamental for a correct social solution.[7] Nor does he consider merely the good of the majority, ignoring those who may encounter difficulties in the growing economic

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4 Clark, Alternative to Serfdom, 22.

5 Frank Tannenbaum, A Philosophy of Labor, New York, 1951, pictures the modern trade union movement as a recreating of society based on status rather than contract. He sees the rise of the labor movement as an unconscious revolt against society's atomization, and the attempt to instill a sense of identity for the worker within a moral universe. In considering the labor movement as "the conservative movement of our time," his novel treatment of this counterrevolution pits the worker against the extremes of social organization like Marxism, fascism, etc.

6 Clark, Alternative to Serfdom, 9.

7 Ibid., 18.

community through possession of fewer talents or unfortunate circumstances. Specifically, he calls for treatment for these people as fellow citizens and not as derelicts.[8]

In concretizing the needs "of the people as a whole," Clark considers that any economic constituent assembly would agree upon these ends: (1) national safety through international peace (involves extraction and handling of fissionable materials and generation of atomic power; freer trade, etc.); (2) internal peace and harmony (avoiding the extremes of a frozen status quo or a coercive state, by allowing groups in society freedom to alter the power structure so as to enhance the individual without annihilating his personality); (3) ample and stable employment in an economy of private enterprise,[9] and (4) security, both quantitative and qualitative.[10] These objectives for economic life are embraced within the common good and approximate the marks of a good social order.

It is in developing his idea of qualitative security that Clark strikes an idea that is also distinctly Catholic. He points out that security implies a set of human relationships upon which a person can rely for assistance in facing his problems. It means psychological support for an individual offering him a sense of belonging, a feeling that he is not

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8 Ibid., 7.

9 Professor Clark's use of the term "ample" in referring to employment is well-chosen. "Full employment" is a popular slogan, but it is tied up with other goals. It is not to be sought at literally all costs, including the danger of inflation, which can be furthered through trade union wage policies in a full-employment situation. The opportunity to work is not identical with the satisfaction of human wants as the purpose of economic activity.

10 Ibid., 11-18.

alone in a hostile impersonal world. In short, this transcends a mere material interpretation of the economic good. J. M. Clark believes "it takes us into an area of economic requirement, essential to the continuance of our system, which has been grossly and wellnigh disastrously neglected throughout most of modern times, when man has been wrongly regarded as an isolated bargaining entity."[11] This religious and social interpretation of security is a worthy contribution and corresponds to the teaching of the Church that man is not a mere animal or an impersonal creature of the labor market. The whole modern field of human relations rests ultimately upon this centuries-old Christian truth.

Echoing, in effect, the papal statements, Clark urges the fundamental step of respect for the worth and dignity of men, and stresses that they have a need and duty to work cooperatively in society to promote the general welfare and to end conflict and exploitation.[12] Such a call for recognition of man's spiritual side and of the social element in man aligns this outstanding American economist with the Popes in positing man as the center of economic life as opposed to some "Neo-Kantian" or quantitative critique.

In the further analysis of society Clark writes that "For some hundred and seventy years we have deluded ourselves with the idea that irresponsible self-interest could organize a community in which men not

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11 Ibid., 18.

12 Ibid., 124.

only could progress, but could live in dignity and harmony while doing it."[13] Clark considers that we are rapidly correcting such a situation through a rediscovery of the truth that we must live together and consider the common enterprise as a whole. Up to now we have been living in a world in which the relations of the individual, the community, and the state were founded on false absolutes with consequent conflict. Absolute individualism is as unacceptable as is the concept of the absolute state.[14]

It was assumed by older economists that the efficiency of individual firms achieved collective or social efficiency, but Clark's studies[15] show that the relationship between individual and social efficiency has a low correlation. Social efficiency to him is a broad concept dealing with "human values and their organization"[16] and the maximization of social values to be obtained from the economic system with a minimizing of social costs is necessary just as much as any technical efficiency which concerns the engineering problems of a machine's most efficient operation.

Clark suggests that we introduce honesty into our economic conflicts, and methods of rebalancing the powers of intermediate groups so that such readjustment will check destructive use of their control over the

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13 Ibid., 150.

14 Ibid., 19-20.

15 John M. Clark, Studies in the Economics of Overhead Costs, Chicago, Ill., 1923.

16 John M. Clark, "The Socializing of Theoretical Economics," The Trend of Economics, edited by Rexford G. Tugwell, New York, 1924, 73.

economic necessities.[17] Among the most basic needs is protection against predatory tactics, embracing both legal protections and a sense of business morals founded on the spirit of real competition. But the main problem lies in the exercise of private monopoly power which is unsafe and also intolerable even when exercised in a reasonable way.[18] We cannot safely allow such situations to exist, Clark maintains, because they are self-explosive. He sees that the split in our economic life has produced class organizations using their economic power to protect their reasonable and necessary security. But too often such organizations, intended to furnish security, also exploit their position in our market economy where the use of economic power is both orthodox and ideologically acceptable.[19] This dilemma is such that men, in meeting their need to belong to small and personal community units intermediate between the individual and the omnipotent state, do form such units--including trade unions, but these units are not elements of an integrated community. Rather, they are warring monopolistic groups controlling one or other of the requirements of economic

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17 Clark, Alternative to Serfdom, 13.

18 Ibid., 116.

19 William M. Clarke, S.J., notes this statement from a report in Cogestion regarding the 15th Congress of the Confederation des Syndicats Chretiens, October, 1947, in which a Socialist labor leader said in 1935: "The unions should not contribute to lessening the antagon[i]sm between classes. If we take away from the union its militant activity, its participation in the struggle of classes, we at the same time render impossible for it any cultural action and even all philanthropic action of any extent and value." "Industrial Democracy in Belgium," American Catholic Sociological Review, X, December, 1949, 238.

life. Clark says that to preserve the freedom of such groups and of society demands a balancing of their economic powers and some plan for the responsible exercise of them.[20] However, if both sides refuse to exercise their great powers in a socially responsible way and refuse to accept some proper curtailments of their functions, and if they let past grievances and resentments prevent a rational solution, then Clark predicts that we are in for more unrest. If, on the other hand, joint problems are faced with the recognition of the interests of other groups, the security of labor and capital can be met.[21]

This search for voluntary, reasonable, and socially workable agreements is Clark's first step in lessening conflict. Such cooperation would help to produce a "balanced society" in which organized groups join in building a free, orderly, and democratic economic community. They will avoid the "road to serfdom" leading to a Santa Claus state. They will seek to work together in producing a good structure of wages and profits and in promoting full employment instead of balking such goals by restrictive practices or dissipating rivalries, each group seeking the lion's share. Such cooperation, where it is expedient as a general rule to consider the rights and claims of others, would bolster our political democracy as well by removing economic tension from the political sphere, by excluding government coercion where group organization and action can balance and solve the conflicts in a reasonable manner.

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20 Clark, Alternative to Serfdom, viii.

21 Ibid., 89.

In summary regarding conflicts, Clark sees that economic conflict can be lessened through group cooperation. Each unit's enlightened self-interest would help to build a compatible group relationship, supplemented by social motives. Strong groups or those in an especially favored position must be socially restrained from exploiting their position and prevented from monopolistic exactions by introducing safeguards into the structure of the economy. The feeling of group self-preservation even at the expense of other groups must be overcome.[22] Cooperation, economic assistance in promoting ample employment and production, and some structural reforms, could help accomplish such lessening of class conflicts, Clark thinks.

Such results could be accomplished within a good society, which to Clark "is one that makes demands on its members—demands that call out the full exercise of their powers—and in which these demands are prevailingly accepted voluntarily."[23]

This conception of society[24] could be stated more soundly by emphasizing the duty of the citizens of a community of utilizing the powers and resources available to them to perform some particular part of the entire societal job, whatever their proper role may be.[25]

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22 Ibid., 141.

23 Ibid., 20.

24 Ordway Tead, The Art of Administration, New York, 1951, 80, emphasizes the same point in maintaining that democracy must use "methods which require the member citizens to initiate, organize and maintain on their own continuing responsibility those good purposes, procedures, and methods which they truly seek."

25 Clark, Alternative to Serfdom, 26.

The needs of society can only partly be assumed by the state. Generally, the ends are achieved by intermediate organisations which tend to promote their own particular interests within the community, acknowledging the legitimate social stake of other groups within society. Although the state is the most potent agency within society, it is not the sole agency of community action. Clark recognizes, in effect, the papal principle of subsidiarity by which we have many groups representing parts of the community, exercising their powers as minor societies, and subject only to higher control for adjustment or subordination when they conflict.[26]

In our discussion of economic conflict in modern society, we have already pointed out J. M. Clark's insistence on the role to be played by intermediate groups. He calls for cooperation among such units for, among other things, protection against an overpowering coercive state. He recognizes that there are no market mechanism panaceas for economic difficulties and that some state action may be required. But he considers the intervention of the state as too impersonal to meet the qualitative needs of man, either in neglecting to promote a reciprocal sense of obligation or in perverting liberty through destroying the individual freedoms of expression, movement, occupation, and political action. Other groups must cooperate.[27]

To insure a balance between individual self-interest and community interest, Clark calls for the voluntary assumption of responsibilities by intermediate agencies thus preventing state regimentation. As "social

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26 Ibid., 21.

27 Ibid., 21-22.

animals and not self-seeking monsters or machines," men behave as members of a community best within small personal groups. Clark states that the responsible exercise of power by such subsidiary agencies must be for adequate social purpose, in order to qualify them as parts of an economic community.

Recognizing the end of economic life as the public welfare or common good of all members of society, and seeking to prevent economic warfare and conflict through voluntary cooperation of intermediate groups rather than through state coercion, does John Maurice Clark suggest any structural reorganization for producing this economic community? In the need for a modern equivalent, a society of responsible individuals in responsible groups is proposed by him. What does this imply?

Briefly, responsibility carries a two-fold significance: individual freedom in conjunction with the observance of the rights of others, and accountability to others for the use made of such liberty of action by the individual.[28]

This society will be composed of groups within which are found discipline and leadership, a sense of the necessity of accommodation with other groups. Although such groups constitute the alternative to serfdom for the individual, they cannot, Clark avers, guarantee the solution of our needs for opportunities and incentives in a well-ordered exercise of man's capacities, personal and social. The progressive, democratic, and voluntary economic community Clark seeks, in contrast to a static and customary or

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28 Ibid., 116.

authoritarian set-up,[29] must make use of the agencies—state, market, and organized groups—through some workable interaction.[30]

Clark regards the social values of institutions as important, and considers it necessary to weigh their actions, since the traditional customary way of doing things often involves tremendous social waste. Thus, an evaluation of existing institutions may call for change. The "individualistic canons of responsibility to which business is accustomed" have ignored unpaid costs of idle men and machines, excessive competitive advertising and private business secrecy. When the public becomes aware of these unpaid costs of modern industry and begins to demand economic institutions which are to be considered as sources of public good rather than of private gain, then the economist can assist in "a study of the particular economic gains and costs to society for which such institutions are responsible."[31] The present institutions must be made to work together and in the interests of an economic

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29 David McCord Wright, Capitalism, New York, 1951, 237-238, points out that among those who find no certainty in religion there is an attempt to discover it in economics, and "the rule of the saints is to be ushered in by everything from a single tax to communism. . . The modern man, uneasy and troubled, cut off from the peace of a faith which his parents knew, is apt to feel that perhaps by establishing socialism he can have the satisfaction of feeling himself a part, as it were, of a band of priests and hence derive a feeling of purpose in life. . . But once we have passed the first fine frenzy of idealism which may attend the establishment of a socialist society, then it will be discovered that merely changing the name of the administrator from businessman to government official will not change many of the dilemmas which have been bothering society."

30 Clark, Alternative to Serfdom, 120-123.

31 John M. Clark, "Toward a Concept of Social Value," Preface to Social Economics, New York, 1936, 49.

community. The choice of the kind of community we want, Clark says, will influence the socio-economic means to be employed to bring it about.

Clark discards the possibilities of substituting some form of centralized collectivism, decentralized collectivism, or a return to laissez faire conditions, recognising that such alternatives have few supporters at present in the American scene. In earlier works, Clark had proposed the three possibilities as: (1) A "completely fluid, freely-competitive system of individualistic theory," which he considers "hardly thinkable; especially in the absence of more definite assurance than can be given that the net result would be to make us richer in the aggregate instead of poorer."[32] (2) A "completely collectivist system" which he feels would raise questions of managerial efficiency, capital accumulation, prevention of bureaucracy, etc. (3) A mixed economy or "the present hybrid system" utilizing the existing free enterprise system but with social control exercised through a social constitution for industry embracing the organization into a single body of all economic agencies for society's general interests.[33]

The American people would seem to prefer the mixed system[34] that

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32 John M. Clark, "Productive Capacity and Effective Demand," Economic Reconstruction, Report of the Columbia University Commission, New York, 1934, 122-123.

33 John M. Clark, "Economics and the National Recovery Administration," The American Economic Review, XXIV, March, 1934, 23.

34 Benjamin L. Masse, S.J., "Reconversion of Industry," America, LXX, January 1, 1944, 346, points out that a mixed system has superseded the classical laissez faire system with "private enterprise at private risk, with free competition controlled by the price mechanism" which was adopted originally at the beginning of the modern industrial era. The mixed system is a "pluralistic one of government enterprise, government-controlled industries, large private corporate enterprises, and small-scale businesses all existing side by side." This constitutes the "free enterprise" system today.

utilizes the existing agencies. It is with these same organized groups that stand between the individual and government, or markets—labor unions, business corporations, farm federations—that the Papal Program also works. Free voluntary groups have a place within the Industry Council framework. And just as the Popes recognize that such groupings must be integrated into some sort of societal pattern to prevent their shattering society and corrupting themselves through irresponsible self-interest, so does Professor Clark.[35] Such community-building, according to Clark, will be on these three bases: (1) Voluntary cooperation will mark the interaction of the groups rather than coercive collaboration; (2) such a community will be along quasi-federative lines for governing the groups' relations, rather than on a basis of direct contact between individual members of society and a supreme authority; and (3) the community structure must be flexible in the matter of rights.[36]

Cooperation is a key word in the Papal Program as it is in Clark's scheme. A further concurrence is found in the thesis that economic organizations are forms of quasi-private government, that the organized groups have acquired governmental characteristics and functions in their internal set-up and in their external relations. In the inter-relationship between the groups in the economic realm, the treaty-like dealings they make are of a constitutional character in regard to rights and adjudication of conflicts over same.[37]

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35 Clark, Alternative to Serfdom, 25.

36 Ibid.

37 Ibid., 125-128.

The insuring of reasonable freedom in the economic community can be attained, Clark proposes, by seeing that politico-economic power is fairly balanced. He considers equality both impossible to define and to obtain, but agrees that specific inequalities should be eliminated.[38] Collective bargaining can be a strong factor both in producing cooperation and balancing power, but only where confidence replaces mistrust and conflict. However, Clark is of the opinion that employers should be willing to enter into collective bargaining amicably since there is no union attempt to undermine private ownership and operation of business and to substitute alien policy.[39] The utilization of the union as part of the economic foundation is practical since it is the "worker's chief anchorage" in the economic sphere and the instrument used through years of difficulty in readjusting a power situation to afford some balance of protection for the employee.[40] Trade or employer associations serve these functions on capital's side.

However, Clark recognizes the danger of collusion between unions and employers resulting in damage to society. He suggests that national union federation policy in which the many trades and industries with their consumer-members are considered, can affect local union practices, such as production

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38 Ibid., 144. Among these are non-unionised employees bargaining with a large employer; industry-wide unions bargaining with competing employers, one at a time; or strike threats when employer must, because of contractual agreements, have continuous production without interruptions.

39 Ibid., 147.

40 Ibid., 25. Labor organizations may augment freedom, as when through grievance committees a worker is enabled to do something about arbitrary discipline or discharge by a tyrannical foreman.

limitation or uncalled-for wage increases, which tend to produce unfavorable effects in particular industries.[41] Public or consumer interests might be protected through state representation on a level above that of the local industry, assuming a regional or industry-wide organization, according to some commentators on the Papal Program.

Organization is necessary and inevitable, asserts Clark, so it must be channeled into socially compatible outlets. Nor does Clark overlook the possibilities of labor's making immoderate demands or employers' giving rigid resistance in promoting their group interests in an irresponsible use of power. Some form of arbitration seems necessary, but voluntary agreement should not be undermined; arbitration is to be considered as a secondary method. This calls for a system that encourages settlements through voluntary negotiations.[42]

Among the things which the welfare of the economy may require, Clark suggests that the spread between high-cost and low-cost producers may need changing. To secure an improvement in efficiency of the former so that they might continue to operate appears to be one of the main arguments for that collaboration within an industry for joint pooling of resources or techniques in order to prevent the rise of monopolistic power or exorbitant profits in the hands of low-cost producers, and to foster economic stability by preventing the displacement of other units in the particular industrial field through

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41 Ibid., 141.

42 Ibid., 130-133.

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altering the allocation of the economy's overhead.[43]

The agricultural industry also shows the need for integration into an economic community embodying the public's needs and desires. At present business has an advantage over agriculture which needs to be reduced.[44] Just as the American Hierarchy calls for an attempt "to establish an equilibrium between farm income, and city income,"[45] Clark also sees this problem affecting the American economy. He recognizes the competitive position of the individual farmer and his efforts at organization, both local and nation-wide, in cooperation with government programs. Such groups, Clark holds, assist the farmer to fulfill his social nature and also to promote his economic interests. Unfortunately, monopolistic practices and pressure politics are often involved.[46] Because of this, the special problems of agriculture must be considered in formulating an effective national economic program.

A major feature of Clark's social planning centers around a main organization like a national council or planning board which would have fact-finding and advisory powers. This group's effectiveness would depend partly on the support tendered its reports by the government—executive and legislative branches—and by the intermediate economic organizations. Thus "a more formal organization within industry" becomes necessary to produce a

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43 Ibid., 81

44 Ibid., 81-82.

45 The Church and Social Order, Par. 36, N.C.W.C.

46 Clark, Alternative to Serfdom, 75.

voluntary cooperation among workers, businessmen, and consumers in fulfilling their interests and those of the general economic welfare as recommended by the national advisers.[47] As early as 1923 Clark realized the necessity for some national economic planning, but it took the Great Depression to underline the thoughts expressed earlier in his study of the economics of overhead costs.

Any national program, Clark declares, must take cognizance of the fact that no nation can guarantee its own individual stability and safety when it is dealing with other countries which are sick and suffering. Therefore, an international approach to the economic question is involved.[48]

The state is neither the sole end of social life nor is it excluded completely in Clark's view. He considers that a state needs an organized community behind it, and similarly the economy demands state influence. When there is a cooperating community, the state will do those things proper to it; as the supreme representative of the community it can exercise police powers over dissident factions which would upset the peace. And certainly national defense is within the state's duties. If there is no organized community united behind the state, then the government must spend its time in trying to prevent instability and disorder among the conflicting groups, by suppressing all the groups or deciding in favor of one or the other. In either case, freedom is the victim.[49]

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47 John M. Clark, "Educational Functions of Economics after the War," The American Economic Review, XXXIV, March, 1944, 62-64.

48 Clark, Alternative to Serfdom, 12.

49 Ibid., 5.

Further, the state has a job "to do in controlling and energizing the activity of the economy" through a balanced tax system, social security, assisting in maintaining adequate employment and production. The injection of defense or war necessities complicates the problem. Effective and quick administrative or executive decisions may be called for in stabilizing disruptive conditions when such arise.[50]

Where a form of national planning has been adopted—and in this day, as Clark shows, the independent action of businessmen is not sufficient to eliminate economic ups and downs—the collective economic action of a public or private nature will be affected by the government's planning. Such state planning for the broad goals of national welfare which the national advisers recommend and which are found acceptable to private economic groups would be mainly indirect, encouraging voluntary cooperation and working through such strategic conditioning factors[51] as monetary and fiscal policies, wage and price adjustments, credit restrictions, etc. Other American economists join John Maurice Clark in voicing this plea for the use of indirect intervention in the economic life with somewhat

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50 Ibid., 110.

51 John M. Clark, Strategic Factors in Business Cycles, New York, 1934, 6-7.—"A factor may be said to have strategic importance if it has real power to control other factors, and to determine the general character of the result; and it has peculiar strategic importance if, in addition, we have power to control it; if it is not, like the weather, beyond the reach of anything we can now do."

similar opinions.[52]

Government must continue to regulate business and labor, though voluntary cooperation between the groups might prevent external conflicts. Legislation is necessary to prevent the usurpation of personal rights by either group or collective anti-social behavior which could arise out of monopolistic practices.[53] Clark hopes, however, "that government need not assume the burden of doing something about every departure from the model of perfect competition," and such altering or planning that the state might do in the economic sphere would not embody any great interference in the area of intra-industrial activities.[54]

International economic relations would naturally involve the state in its role as the central agency for foreign relations of all kinds.

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52 For example, Philip J. McCarthy, "Employment Policies and the Employment Act," Review of Social Economy, VII, September, 1949, 31: "The State should also recognize that in the highly interrelated economic society of today the individual is often powerless to prevent economic disasters which occur on a general scale. History seems to demonstrate that the chief disorder in a free economy is the business cycle. Thus counter-cyclical policies and programs should be acknowledged as legitimate functions of modern governments. . . . Inasmuch as the buisness [sic] cycle is a national and even international phenomenon, selective remedies are more likely to be arbitrary and inconclusive. In the opinion of this writer, counter-cyclical measures should be limited chiefly to monetary and fiscal policies."

53 George G. Higgins, "American Contributions to the Implementation of the Industry Council Plan," American Catholic Sociological Review, XIII, March, 1952, 11: "but surely there must be relatively few Americans in 1951 who are not convinced—privately at least, no matter what they may say publicly in deference to the American mythology—that anti-monopoly legislation is a rather superficial and ineffective remedy for the imperfections of the market."

54 John M. Clark, "Toward a Concept of Workable Competition," The American Economic Review, XXX, June, 1940, 241-256.

In many ways, the Papal Program and Clark's proposals coincide. The Popes call for recognition of the common good as the end of society and economic activity; and Clark is also concerned with taking care of the many needs of society's population. He sees the need for utilizing the productive resources in order to provide a health-and-decency standard of living to the entire population, and warns of "cultural suicide" if the economy fails to take care of the needs of large sections of working people.

The maximization of business profits is not his concern so much as the achieving of broader socio-economic aims, so that the efficiency of an economy depends not on meeting market criteria alone, but in fulfilling acceptable social ends also. Full employment and expanding national output with responsible control over general policies is what the public desires, and legitimately so--liberty and freedom in the economic sphere as well as in the political arena. For Clark, only a democratic type of society in which group interests are satisfied in a democratic manner is to be considered, and he seeks the general economic welfare of such a structure. This conception of an efficient economy which takes social values into account is also a papal idea. Clark considers that improvements in the exercise of property rights, increased protection for the unorganized brotherhood of consumers, and the establishment of certain safeguards for prevention of lowered living standards are within the scope of economic life.

Now that we have sufficient knowledge about economic life to have some hope of regulating it, Clark believes we must remake the industrial system stressing the economic control of material forces in the interests of

the larger entity called society which embraces smaller groups. He realizes that economic control is "at bottom the problem of adjusting conflicting interests and claims of 'rights,' and harnessing selfish interests to that mutual service which the division of labor has made one of the most fundamental and most commonplace features of industry."[55]

Like the Church, he also would wish "to impose a definite limit on the subordination of man to the machine."[56] Clark sees that the machine has deprived the worker of a sense of responsibility, leaving him with little interest in his own economic destiny by negating the opportunity of acting like a free and useful human being in exercising some dominance over machines in the making of economic policies.[57] The select few who own or control the machines now make the decisions and have patterned a moral slavery upon labor. Class conflict results and strikes, sabotage, and other obstructive features mark our industrial life. Clark sees no value in revolutionary tactics on the part of workers, nor does he envision society in terms of the socialists' economic division of classes. He feels that the elimination or reduction of conflict will demand the exercise of social intelligence and cooperation if a democratic economy is to survive. Warlike class organizations are of little

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55 John M. Clark, Social Control of Business, New York, 1939, 2nd ed., xi.

56 Pius XII, "Address to Small Craftsmen," October, 1947, in John F. Cronin, S.S., Catholic Social Principles, Milwaukee, 1950, 471.

57 Elton Mayo, The Human Problems of an Industrial Civilization, New York, 1933, 167: "No form of political action can ever substitute for this loss [of the social purpose of each member]. Political action in a given community presumes the desire and capacity of individuals to work together; the political function cannot operate in a community from which this capacity has disappeared."

value for peaceful cooperation. Thus a different spirit must be developed, he states.[58] Papal statements make the same point.

Clark recognizes a common interest among laborers, employers, and consumers; and the development of common economic interests requires a cooperative spirit and institutions for cooperation. Clark points out that there is an increased range of alternatives to which our economics can turn.

> Between the "thesis" of free exchange and the "antithesis" of communism we are challenged to build up a working synthesis which may have a relation to the needs of our time similar in kind, if not in genius, to that achieved by Adam Smith. One may even conjecture what the keynote of the synthesis will be: the building of moralized economic communities, expressing and protecting by appropriate agencies all the essential interests concerned.[59]

The economic community will be composed of existing intermediate groupings, building on them. Clark suggests that the organization should take the form of voluntary economic planning on a national basis, backed by organic cooperation of the business communities. In short, voluntary assumption of steps within specific industries which would carry out the national policies decided upon. The government would function for the furtherance of general purposes as the supreme authority through which society acts. But it would not control; rather it would help indirectly. Within the industrial sphere Clark sees a need for a social constitution which would be the basis for a program of national economic planning designed to "eliminate undesirable

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58 Clark, Social Control, 511.

59 John M. Clark, "Adam Smith and the Currents of History," Preface to Social Economics, New York, 1936, 195.

fluctuations of industrial activity and to make reasonably free use of our powers of production to support an adequate standard of living, on a sound and enduring basis."[60] In the field of business individual action needs to be coordinated with collaboration between the participating economic groups. Professor Clark recognizes the quasi-governmental status of such economic groupings. Piecemeal reforms are not sufficient, but "a comprehensive treatment of an organic malady, ramifying throughout the economic system" must be considered.[61] The alternative to serfdom consists in a utilization of existing economic groups within a national framework, united for the general welfare, cooperating for the realization of common interests, and democratically fulfilling their functions within the present mixed economic system.

Clark's excursions into the operations of the economic community present problems. He visualizes democratic control of economic life, recognizes the quasi-public nature of the institutions, proposes collaboration and cooperation in mutual tasks under a nationally set policy, but he is rather nebulous about the actual working structure. However, in principles he is in agreement with the Papal Program and seeks a third way, an alternative to

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60 Clark, Social Control, 455.

61 Ibid., ix. This would seem in disagreement with Galbraith's idea that countervailing power will work sufficiently well to avoid future prolonged depressions when used along with the Keynesian instruments of monetary and fiscal policy and the structural improvements which have been incorporated into the economy since 1929. Clark seems to hold for the necessity of more structural improvement. See John Kenneth Galbraith, American Capitalism, Boston, 1952.

collectivism and individualism, that will preserve the essentials of our present economic system and be brought about in an evolutionary manner within the existing legal and political framework. He views labor, business, and government cooperatively working their way through a changing social landscape and calls for "the conviction on all sides that necessary changes will be made in a spirit of reasonable consideration for the genuine needs of the interests that are affected."[62]

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62 John M. Clark, "Some Current Cleavages among Economists," The American Economic Review, XXXVII, May, 1947, 3-4.

CHAPTER IV

THE PROGRAM OF SAMUEL SEABURY

In his book The New Federalism,[1] Judge Samuel Seabury expounds his analysis of the nature of our present social crisis and suggests a remedy based upon a decentralized, federal form of industrial democracy.

Industrialism is the primary characteristic of our modern society and economic activities and functions control and give direction to it.[2] Therefore, to reform our society we must reorganize its economy. Possibly the crisis does not seem so acute, writes Seabury, in this country as in others, but "Where people are denied economic independence they cannot long continue to enjoy the rights of free speech, free press and the right of religious freedom."[3] The present communist regimes in certain countries of Europe and Asia, the reality of totalitarianism in our neighboring Latin American nations, the recent history of Germany and Italy testify to the interrelation of control over economies and the suppression of freedoms.

Because of the apparent inequities between the few rich and the numerous poor, Seabury claims that many sought to throw their problems upon the government in hopes of a solution, and they used their franchise to apply

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1 Samuel Seabury, The New Federalism, New York, 1950.

2 Ibid., 136.

3 Ibid., 18.

to the state for improvement under the delusion that their majority control could remedy the evils through political action. They relied upon the political state and cast aside self-reliance. They reaped a poor harvest, says Seabury. Statism has not been the answer to unregulated individualism; political control is not "identical with the people's control and operation of industry" which they themselves create and should operate.[4]

The end of the state as that of any institution or social activity "is the richest and fullest life for individuals and commonwealths, and the individual and social capacities for the attainment of such a life are not to be restricted for their expression to the narrow channel of the state" nor to an erroneous concept of economic structure.[5] Since the only reasonable purpose for producing wealth is that it may be consumed, the entire society, (as the totality of consumers), becomes the end of economic activity. Recognizing the common good or public welfare of society[6] as the end of organization Judge Seabury also is cognizant of the discrepancies which exist in modern economic life. He stresses how the present system tends to monopoly through the restriction of competition and to the impoverishment, if not the enslavement, of labor; how it diminishes full production and results in the enrichment of the few. And he lays much of the blame upon the peculiar theory of

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4 Ibid., 19.

5 Ibid., 301.

6 Using the Employment Act of 1946 as a framework, Edwin G. Nourse conceives the general welfare as the joint social responsibility of management, labor, and the public. Stuart Chase, et al., The Social Responsibility of Management, New York, 1951.

private property now in favor.[7] He maintains that if men are to enjoy security and independence, they must by their labor be permitted to acquire property or an effective voice in the control of it.[8] Nor can the enmity resulting from insecurity be ameliorated by panaceas of pensions from the state, or relief payments, or state insurance based on deductions from the wages of labor, Seabury states.

Further, he points out that those engaged in industry seek to attain control through the political state. At first the capitalist class tended to dominate or control government, but a shift to increasing influence by the labor class has recently taken place. Too often both factions have combined against the consumer.[9] Seabury recognizes the conflict incident upon the concentration of economic power in the hands of the few. He would probably agree with Pius XI in this analysis:

> This accumulation of might and of power generates in turn three kinds of conflict. First, there is the struggle for economic supremacy itself; then there is the bitter fight to gain supremacy over the state in order to use in economic

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7 Seabury, New Federalism, 81.

8 It is the hypothesis of John L. Thomas, S.J., "that the co-determination movement in Germany is only one manifestation of a wide-spread 'revolt of the masses' against a social order which has not been able to integrate them into the total life of the community. Economic democracy in this context means some measure of control over one's destiny, some defense against the arbitrary rule of the propertied classes. In other words, there is a vague, fumbling, not clearly defined, yet consistent and powerful demand on the part of the working classes in all West European countries to achieve a status in the community which corresponds to their function in the overall organization of society." "Co-determination and the European Worker," American Catholic Sociological Review, XIII, October, 1952, 147-148.

9 Seabury, New Federalism, 171.

> struggles its resources and authority; finally there is conflict between states themselves, not only because countries employ their power and shape their policies to promote every economic advantage of their citizens, but also because they seek to decide political controversies that arise among nations through the use of their economic supremacy and strength.[10]

Thus, Judge Seabury writes in regard to the struggle for economic supremacy:

> While economic conditions should form the basis for the development of a great incentive which would unite the peoples of the world, the fact is that at present they do not do so. There is no sphere of human endeavor so lacking in unity and so surcharged with bitter and relentless rivalries and conflicts as the economic sphere.[11]

As to the systematic struggle for the state, he has this to say:

> The organization of industry which has taken place under state monopoly and special privilege, and the growth of the machinery of political parties, through which alone nominations for office are made, render it easier for those who possess economic power either in the form of organized capitalists or organized labor, to usurp the sovereign power of the commonwealth and use it for the protection and development of their own special interests, than for the state to control and govern them. . . . The special interest in such contests are more powerful than the public interests. It is a situation analogous, as someone has well said, to that of the trained army against the mob. The trained army, equipped by, and enlisted in the service of, the special interests, succeeds in the vast majority of cases.[12]

He sees, further, that the actions of the national states "have

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10 Pius XI, Quadragesimo Anno, Par. 103.

11 Seabury, New Federalism, 283.

12 Ibid., 174-175.

prepared the soil out of which war has been evolved."[13] The struggle will continue, Seabury thinks, since the desire for self-government and self-determination and for the opportunities for self-expression involves all peoples and commonwealths. The struggle crosses over into the industrial sphere.[14]

However, the struggle can be minimized, class conflict lessened and the natural efforts for self-expression channeled into socially acceptable patterns if the conception of social justice[15] in regards to property as the basis of our economic life is applied. He upholds the theory of natural rights, including the right to hold property, as basically sound. But rights are based upon a moral law of justice.[16] Thus, he calls for justice in the economic sphere. He attacks profiteering which "is a distinct feature of our present economy, and symbolizes the exaction of exorbitant gains, either by means of the legal ownership of privilege or monopoly, or by taking advantage of the profiteer's ownership of the means of production or the helplessness of others."[17] He seeks to amend special privileges, to regulate monopoly, and to extend ownership of productive property. In agreeing with Hillaire

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13 Ibid., 255.

14 Ibid., 130.

15 "Social justice impels both individuals and public officials to promote the common good; that is, the common welfare, taken distributively as well as collectively; the good of the community, not only as a unified entity, but as composed of social groups and individuals."—John A. Ryan, Distributive Justice, 3rd ed., New York, 1942, 188.

16 Seabury, New Federalism, 109.

17 Ibid., 20.

Belloc (whom he quotes with favor),—"If we do not restore the Institution of Property, we can not escape restoring the Institution of Slavery; there is no third course."[18]—he would consider the question of property, from the standpoint of justice. And he finds property's "true basis to be in production."[19] The recognition of the right of private property arising from an individual's participation in production is in accord with justice. It encourages a strong incentive to engage in production, thereby increasing production, and removes the evil results of the constant control of land, natural resources, and productive property in the hands of the few. It removes the helplessness of the great mass of laborers.

> Under our capitalistic system property has more and more tended to concentration in the hands of the few. Those who have produced it have, under existing laws and economic conditions, been obliged to surrender that which they have produced in return for wages that afford them a bare living. The right of the producer to the property which he has produced has thus been the subject of wholesale confiscation. The masses of the people, have produced property in greater abundance than ever before in the history of the world and yet they have consistently been denied the right to its possession or its equivalent. Under any just system of social economy or one which recognized production as giving some claim or title to property, property should have been widely distributed among the producers, and yet this has not been the case. If we are to give effect to the idea that production should in some form entitle the producer to participate in the enjoyment of the product, some system must be devised where the masses of men, who are producers, shall possess property, and that their possession of it should, directly or indirectly, bear some relation to their efforts as producers. The labor unions among the workers have been a powerful factor in compelling

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18 Hillaire Belloc, The Servile State, London & Edinburgh, 1912, Title page.

19 Seabury, New Federalism, 79.

> a larger share of the products to be paid to the laborers in the form of higher wages, and requiring a shorter workday and the improvement of working conditions, but these attempts have fallen far short of securing to the producer the product of his labor.[20]

The papal suggestion to lessen class conflict by modifying the work contract through some form of partnership, sharing of ownership and management and profits, is relevant here.

The passing of control of the country's economic wealth from individual personal ownership to impersonal corporation ownership, with the consequent changes in society, necessitates a new approach to the socio-economic organization.[21] Such approach could allow for more extensive control over productive property by all participators in production, thus eliminating causes for conflict and giving all producers more self-government, self-determination, and self-expression.[22]

> It is. . . evident that the people can best retain their own sovereign power by limiting the functions which they confer upon the state, groups or individuals, and restricting those functions to matters that shall not interfere with or impede individual and group opportunities for development.[23]

This would be a worthy definition of the principle of subsidiarity. No higher authority should step in where a lesser one is able and willing to do the job.

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20 Ibid., 85-86.

21 Adolf A. Berle, "Preface," The Modern Corporation and Private Property, (with Gardiner C. Means), New York, 1933, vii.

22 As regards workers, Richard H. Tawney remarks that they will not give their best efforts to a system which they do not trust, and "they will not trust any system in which they do not share control." The Acquisitive Society, New York, 1920, 151.

23 Seabury, New Federalism, 123.

The ideal pattern for social expression is one in which all who are a part of the society participate in the social process. The application of this principle within both the political and economic spheres of society is necessary.

> It is essential, if self-government is to be established both within the political and industrial spheres, that the powers of the state, and other groups exercising authority over industry, should be so decentralized as to make self-government possible, or in many cases to permit these powers to be reabsorbed by the people themselves.[24]

Judge Seabury calls for (1) decentralisation of the state, and (2) encouraging and fostering of minor groups, especially those capable of exercising self-government in industry in place of the present powerful factors.

To the state belong political and military powers; to voluntary non-state agencies belong social and industrial matters. Separation of the state from economic jurisdiction would allow these non-state agencies created by the people themselves to exercise control in governing industry.[25] The philosophies which grant the state complete and absolute sovereignty are attacked by Seabury and shown to lead to collectivism and totalitarian dictatorships. "The theory of the absolute state not only does not square with the realities of social life, but, insofar as it is acted upon, results in grievous trespasses upon individual and social rights."[26] A result of

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24 Ibid., 26.

25 Ibid., 25.

26 Ibid., 191.

submission to these false philosophies of the state has been a lessening of individual initiative and independence; consequently, the idea of the state as the sole agent for remedying abuses has arisen. In turn, Seabury shows, this recognition of dependence upon the state strengthens the state's claims to complete and exclusive sovereignty.

Thus we witness certain states that are repressive of their own members and threaten aggression toward their neighboring countries. This constant increase of national power is an historical fact and an alarming threat to the peace of the world. These "super-aggregations of public power" are destructive of individual freedom, mock social justice, and constantly undermine world peace.[27] Seabury asserts that the bequest of the nineteenth century to the twentieth of social confusion, both in ideas and in institutions, is reflected in the industrial and political mal-adjustment.

The state must be decentralized to a relatively subordinate status in the life of society, and the area of liberty for other groups, individuals and institutions must be extended so that they may develop and express their capacities.[28] The trouble comes in projecting some concrete plan by which the concentrated power of the state may be taken over by the people as individuals or groups. What is needed first of all is a new viewpoint based on the approval of the federal (subsidiarity function) character of social life. We can learn from past experience that the distinction between political and

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27 Ibid., 35-36.

28 Ibid., 302.

industrial spheres can be settled, just as the struggle between the temporal and spiritual power was solved by the withdrawal of the state from the independent church sphere.[29]

The state's attempts to preempt the entire area of social life can be thwarted, writes Seabury, through the activities of voluntary groups. Such associations are business, financial, education, and religious organizations which include the greater part of society's organized activities without interference from the state, which, however, frequently regulates or hinders their effectiveness.[30] The agencies share the sovereign power of the people which resides only partially in the state.[31] The state, Seabury says, exists to represent men as individuals, not as members of associations which are organized for the purpose of fulfilling some specific purposes.

The present arrangement in which government representatives, subject to corrupting influences, handle everything in society is an impossibility unless one settles for a badly muddled result. The remedy, asserts Seabury, lies in no "single omnicompetent assembly, but in a system of coordinated

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29 Ibid., 191.

30 Ibid., 222.

31 Heinrich A. Rommen, The State in Catholic Thought, St. Louis, 1945, 143: "This [pluralism] grows up from the plurality of social forms and of cooperative spheres that proceed from the person, serve independent particular ends in the order of the common good, and therefore have their own rights and duties. It is not the law of the state that creates these ends and therefore the institutions and rights. In their essence they are before the state, and, however the law of the state may afford them the legal hulks, their essential contents are independent of the positive form that the law gives them. And it is their essence, their ends, that control the legal forms, not vice versa."

functional representative bodies," each association and method functioning for specific purposes and thus eliminating the present futile system.[32]

Seabury suggests the following as typical examples of the forms in which social action and power find expression: (1) Industrial: consumer's organizations; other combinations by collective bargaining or otherwise, between capital, labor and consumers, or any two of these groups; corporations, joint-stock associations and partnerships; (2) Social: religious organizations; educational, scientific, historical and cultural agencies; membership corporations; unincorporated fellowships (social, stock exchanges, labor unions, employers' organizations, and consumers' cooperative societies); (3) Folkways: conventional rules to which the practices of individuals and groups have accorded recognition as having authority over them.[33]

With the decentralization of the state, such intermediate groups could exercise more authority in economic life. Cooperative societies are especially stressed by Seabury. Such groups involving millions of people have arisen independently of the state. One of the advantages seen by Seabury is that they commence operation within the present system doing things in a better way than the maladjusted institutions. Improvements in the economic sphere are made progressively one step at a time, solving problems as they arise. And such societies do the job of industrial reorganization even while

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32 G. D. H. Cole, Social Theory, New York, 1920, 108.

33 Seabury, New Federalism, 240-241.

profiteering groups and state intervention continue to exist in the same sphere.[34]

This relationship of groups working together for a common purpose, the largest with the smallest, the most powerful with the weakest, yet protecting specific goals, is federalism.

> Federalism is a relation. It tends to unite the most opposite conflicting interests, and to blend the strength of each to the preservation and stability of the whole. While it creates solidarity, it does not do so at the expense of the units that are within the relation. This is its essential feature. It implies a solidarity which springs from a union, which allows each personality or entity within it free opportunity for development. According to each that liberty which expresses itself in variety, it nevertheless preserves a union which enables the power of all to be used for the discharge of common obligations and for the protection of each. It harmonizes the conflicting claims of those in the commonwealth, while at the same time uniting for common aims and purposes the strength of all.[35]

Thus, the equivalent of subsidiarity—the decentralizing of power and the recognition of the legitimate position of minor groups in industrial and political life—is proposed by Judge Seabury.

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34 As regards this point, John Chamberlain writes in the New Republic, "Little practical good can come of trying to create a blueprint-perfect society overnight; engineers of social change must work with institutions as they now exist and the future can only grow out of the exceedingly imperfect present."—Morris Llewellyn Cooke and Philip Murray, Organized Labor and Production, New York, 1940, 4.

35 This definition compares favorably with that of the social philosophy of solidarism expressed by Franz H. Mueller, "The Principle of Solidarity in the Teachings of Father Henry Pesch, S.J.," Review of Social Economy, IV, January, 1946, 33: "Pesch considers solidarism an especially appropriate term because solidarity denotes community of interests and responsibilities. It signifies the fact that as the welfare of individual persons and smaller groups depends to a great extent on the welfare of the larger social whole, so the welfare of the whole depends on that of its parts. Instead of being mutually exclusive, the individual and the common good are really correlative."

Industrialism, like feudalism, is a social organism that continues to grow and is only secondarily a political system. The incompleteness of this social institution of industrialism, says Judge Seabury, will gradually attain more definite form and expression, when it develops its own representative processes as the need for them is appreciated.[36]

In the Middle Ages, as Seabury points out, the economic and political life of the era was adequately served through representation by classes, groups, or estates—Church, feudal noble, the towns, guilds. Economic life was given stability and a large measure of freedom through control by those who participated in its activities. In our present industrial life, such control is attempted through representation on a territorial basis and the rule of the majority in an overall state. Seabury considers such a set-up as disastrous to effective social life.

> State government deals with the conduct of persons, not the regulation of things. The government of industry, on the other hand, must deal with the administration of things and the functions which they perform. Within the industrial sphere the administration of things can best be conducted under a system of functional representation.[37]

For the securing of self-government within the political arena representation upon a territorial or proportional basis is a necessity; and within industry the representation should be upon a functional basis. This is an extension of the old federalism.

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36 Seabury, New Federalism, 199.

37 Ibid., 26.

> But we must not think of federalism today merely in the old spatial terms. It applies not less to functions than to territories. It applies not less to the government of the cotton industry, or of the civil service, than it does to the government of Kansas and Rhode Island.[38]

Industrial groups, based upon representation of all participating in industry, are already being formed through consumers' cooperatives, workshop agreements and collective bargaining between employers and workers. This development will continue until manifestations of industrial democracy are crystallized into definite processes just as the common law has become accepted as a result of earlier struggles over the rights of individual persons.[39] Since those engaged in an industry are in possession of the knowledge of the economic activities prevailing in that industry, they are better qualified to possess an interest in the administration of the activities. The right of property is by its nature intimately connected with duties of control. "Production gives a peculiar and unique claim either to the product or to the right to participate in its value to the extent that the labor or ingenuity of the producer has contributed to this value."[40] So all participants, the capitalist (who gives the money, land or raw material) and the managers and the laborers can lay claim to rights of participation. Indeed, capital and labor in some industrial fields have self-governing groups to a limited extent through collective bargaining agreements, Seabury states.

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38 Harold J. Laski, The Foundations of Sovereignty, New York, 1921, 242.

39 Seabury, New Federalism, 199.

40 Ibid., 88.

And then certain key industries (coal mining, transportation, etc.) because of their public or quasi-public character, are subject to public control and this could best be done by voluntary representative agencies outside the organization of the state upon a functional basis, according to Seabury.

> The reason why popular opinion today does not wish those engaged in industry to govern industry is that it assumes that this would increase the power and influence of the monopolist and profiteer. Yet this is not so, because if the state performs its proper functions those monopolies, which stem from the control of natural resources, would be destroyed. There is also another reason why this is not so, and that consists in the fact that voluntary efforts are now being made by consumers through their societies to take over and operate industry.[41]

The autonomy of economic groups which would operate industry through representation upon a functional basis would be protected under the new federalism, which allows for the principle of self-determination.

Even on the international plane, the principle of federalism is to be promoted, Seabury asserts. The facilities of transportation and communication make isolation impossible, and amicable relations among nations is necessary. The exercise of sovereignty must be considered in the light of a federal system by which each country will be assured of protection of its political and economic independence.[42]

Thus Judge Seabury suggests federalism as a solution, with voluntary associations outside of the state, composed of all participating in an industry, exercising economic authority through their representatives chosen on a functional basis.

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41 Ibid., 174.

42 Ibid., 255-256.

> Nothing herein contained suggests that the people, either in the political or industrial sphere, should not act through their chosen representatives. On the contrary, I have urged a method by which the people may be fairly and justly represented, by popular election within the political state and by functional representation within the industrial sphere. Such a system would secure a well-balanced plan of representation, well calculated to protect individual and personal rights through state action, and capable also of regulating the government of industry outside of the state through the voluntary action of the factors concerned with industry, viz: the interests of labor, capital and consumers.[43]

In analyzing the role of the state, Seabury states that society and the state are distinct, with the state as one element devoted to law and its enforcement, to the promoting of equal opportunity, and generally as an agency serving society through the preservation of order.

> The difficulty with current theories of economic government has been, it seems to me, not in the analysis that has been made of existing conditions, but in the remedies which have been frequently proposed, which, if adopted, would inevitably result in the creation of a totalitarian state. Such a state would soon forget the pious admonitions in which the authors of these proposals indulge in favor of individual liberty. In the exercise of the industrial functions committed to it, the state would exert a power as far-reaching and despotic as could be conceived by the brain of a Machiavelli or a Mussolini. If we are suffering from abuses of state power, as we are, why add additional powers to the political powers which the state now wields?[44]

Political and economic factors interact upon one another, but this does not give the state an all-powerful voice in these two spheres of social activity. They must be demarcated and better defined. He lists the functions of the state as boiling down to (1) the police functions; (2) those required

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43 Ibid., 189.

44 Ibid., 195.

for preserving equal opportunity (and this includes protecting public property for social uses); and (3) necessary community functions which the state assumes until other groups better adapted than the government to perform them rise and take over.[45]

In the industrial sphere, as the Judge point out, the state has attempted to handle the necessary adjustments resulting from capitalistic individualism and has failed since this is beyond the state's capacity. Other agencies must be fashioned to accomplish the job. These institutions of industrial democracy are already developing, according to Seabury. Vast numbers of incorporated and unincorporated groups now perform important functions in industrial life and will continue to develop further, he believes. They may or may not be supplemented by legislation.

It would be

> a mistake to suppose that the advent of industrial democracy is dependent upon legislation enacted by the state. The delusion that all social changes can only come from inducing the state to enact legislation making the changes desired, not only results in a waste of social energies, but even when successful, to the extent that legislation sought is enacted, it often results in the greatest disappointment and in many cases breeds an entirely new crop of social abuses.[46]

However, he does not exclude the possibility of the state's helping, especially in encouraging the minor plural agencies to act.

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45 Ibid., 208.

46 Ibid., 203. Sister Mary Yolande, O.S.F., "Some Economic and Ethical Considerations for Legislation Protecting the Consumer," Review of Social Economy, VII, March, 1949, 80-81, suggests that legislation is not the answer to the consumers' problems either.

Recognition of their quasi-legal status would be part of this, in the opinion of the writer of this thesis, in order partly to avoid questions of constitutionality where legislative powers are utilized by non-Congressional groups.

For assisting relations between the groups participating in industry, Judge Seabury singles out the judiciary as an appropriate agency.[47] However, he seems to apply such state assistance primarily in disagreements in collective bargaining covenants. He does recognize that "where any or all of the groups concerned engaged in arbitrary, discriminatory or tyrannical practices, either upon their own members or the members of the public,"[48] there would be grounds for state intervention also. Thus he does not exclude the state from protecting society's common interests.

To what extent does Samuel Seabury concur with the Papal Program? First, he states that the purpose of economic life is full production for the benefit of the material needs of the consumers, and all members of society are consumers. Thus economics can contribute to the enriching and fulfilling of the life of individuals and of society. This recognition of the public welfare as the end of economic activities corresponds with the papal concept of the common good.

In pointing out how present conditions foster monopoly, encourage profiteering, and deny effective distribution of property, Judge Seabury

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47 Ibid., 217.

48 Ibid.

puts his finger upon some of the causes of the social unrest and class conflict so characteristic of modern economic and political life. And he also calls for unity in the economic sphere with the prohibition of special privilege and monopolistic practices; redistribution of productive property is called for through ownership or participation in its control thus encouraging self-expression. He bases his arguments upon social justice arising from the natural rights of producers.

Seabury's federalism embraces the principle of subsidiarity. A pluralistic society is envisioned with subordinate voluntary groups allowed to do their particular tasks both in the socio-economic sphere and in politics. He rejects collectivistic theories of the organization of society and of the absolute sovereignty of the state. He considers it necessary to decentralize overpowering state control and to foster the growth of functional representative units for exercising authority in economic activities.

For industrial democracy, Seabury considers a new concept necessary in which cooperation of all participating in production would be the basis. Although he seems to visualize cooperatives as such a possibility, yet his principles would not exclude an Industry Council arrangement. He calls for tri-partite operation of industry of workers, owners, and consumers. (His consumers might find representation difficult, however, except through governmental participation as the voice of the consumers.) He sees collective bargaining as a step in the development of economic democracy. His new administering groups would be composed of representatives based upon function. They would be autonomous units within their sphere and would be protected

from state control. This latter point would seem to call for some legal recognition of the social position of such voluntary groups and the quasi-public legal jurisdiction which they would exercise in industry, although Seabury is not explicit on this. Nor does he spell out a regional-national structure, although he does not exclude it either. The international aspects of his program contemplate a possible political federation of the national states organized economically and politically according to the principle of federalism. Thus Seabury foresees the implications of world-wide cooperation and an end to isolated decisions in socio-economic problems, a point also stressed by the Popes.

His principles would not exclude a development along Industry Council lines (functionalism, pluralism, autonomy, legal status, representation, etc.) and only the role of the state might cause some further necessary delineation. He considers that during the transitional phase between monopolistic capitalism with its rivalries and conflicts and industrial democracy embracing economic control through voluntary representative groups based on function, the state may be able to help by encouraging such subsidiary societies, partly through legislation. However, he places little confidence in the fact that the state would foster such groups and he considers most social legislation to be less than effective.

Yet the state must withdraw from the economic field; he is emphatic about the necessity of its restricting itself to those particular functions related to the common good. It must allow socio-economic authority to be reassumed by the developing intermediate groups. Failing this, we are headed

for complete socialization with consequent loss of our economic and political rights since politics and economics act and react upon each other.

Although Samuel Seabury indicates no familiarity with the Papal Program as such, it appears that he would concur in the Industry Council Plan since his principles of organizing an industrial democracy, based on federalism in economics and in politics, correspond with those of the Popes.

CHAPTER V

SOME FINAL REMARKS REGARDING COINCIDENCES

Joseph A. Schumpeter, in an address, "The March into Socialism," before the American Economic Association in New York on December 30, 1949, said "a reorganization of society on the lines of the encyclical Quadragesimo Anno, though presumably possible only in Catholic societies or in societies where the position of the Catholic Church is sufficiently strong, no doubt provides an alternative to socialism that would avoid the 'omnipotent state.'"[1] We have considered this papal alternative and also two theorists whose own principles are not in conflict with this program.

Many writers in the socio-economic field are tackling the problems of economic life, and in many ways they are in unconscious agreement with Catholic analysis and principles. Bowen[2] recognizes that capitalism at present has serious weaknesses and that practicable remedies must be found and preventive action taken to ward off a catastrophe. Heron[3] sees us in a period of revolution, building towards a workable industrial

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1 Joseph A. Schumpeter, Capitalism, Socialism, and Democracy, 3rd ed., New York, 1950, 416.

2 Howard R. Bowen, TOWARD Social Economy, New York, 1948, 328-329.

3 Alexander R. Heron, Why Men Work, Stanford, Calif., 1948, 169.

democracy, and he wonders whether it can be produced without more chaos and conflict. The Papal Program analyzes the socio-economic sphere and proposes certain principles and a program for action. Yet Frank Knight has considered the Papal Encyclicals as one of the most deleterious influences on economics because of the ethical element introduced.[4] But as John Sheehan[5] has pointed out, "all economists frequently make ethical judgments on economic matters and also adhere to some basic philosophical concepts in economic theory and practice—consciously or unconsciously." This opposition to direct Catholic influence also is evident in von Mises,[6] who considers the official social philosophy of Roman Catholicism as condemnatory of the capitalist system. However, Nell-Breuning,[7] an authoritative commentator on the Papal Program, sees the vocational order, or Industry Council Plan, as one delimited by neutrality toward the capitalist economy.

If it can be shown that there is agreement between the papal analysis of existing socio-economic conditions and the outstanding secular expositions of economic maladies; and, further, if there is any agreement on principles and programs for remedying the situations, then such consur-

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4 Cletus F. Dirksen, C.PP.S., "The Catholic Philosopher and the Catholic Economist," Review of Social Economy, IV, January, 1946, 14.

5 John H. Sheehan, "An Economist's Comment on Philosophico-Economic Relationships," Review of Social Economy, IV, January, 1946, 21.

6 Ludwig von Mises, Human Action: A Treatise on Economics, New Haven, 1949, 670-671.

7 Oswald von Nell-Breuning, S.J., "Vocational Groups and Monopoly," Review of Social Economy, IX, September, 1951, 90.

rences would lend added weight to the Pope's Industry Councils.

We have seen how the common good was proposed as the true and ultimate end of economic activity. In this, Clark and Seabury agree that the economy of the nation must serve the total nature of man by supplying the material necessities for a good human life, not only of the majority, but of the totality of community members.[8]

In attaining this goal, both reject what Pius XII refers to as "the quasi-superstitious confidence in the mechanism of the world market as an equilibrator of the economy, and the confidence in a welfare state charged with assuring to each of its subjects, in all the circumstances of life, the right to unreasonable demands that are in the final analysis, impossible of fulfillment."[9] They are searching for a middle course between individualism and collectivism.

Both recognize the evil of class conflict in society and call for cooperation in lessening this malady which Pius XI saw as permeating the

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8 Raymond J. Miller, C.SS.R., "Papal Teaching and International Economic Relations," Review of Social Economy, XI, March, 1953, 27, in a discussion of the purpose of economic life quotes a Letter of Pius XII of July 7, 1952, to the President of the Social Weeks of France on the occasion of the Social Week held that year at Dijon, in which the Pontiff reiterates the description given by his Predecessor Pius XI in Quadragesimo Anno: "The purpose of the economic and social organism is to procure for its members and their families all the goods which the resources of nature and of industry, as well as the social organization of economic life, is capable of procuring for them. And these goods should be sufficiently abundant to meet the needs of decent living and to raise men to that level of freedom from care which when wisely used is no hindrance to virtue but on the contrary greatly facilitates its exercises."

9 Pius XII, "The Problem of Unemployment," Address delivered before the International Congress of Social Studies, June 3, 1950, translated in Review of Social Economy, VIII, September, 1950, 136.

whole social fabric, influencing political difficulties, national rivalries, and international wars. Collaboration between the interested parties could diminish social unrest. The prevention of the misuse of monopolistic economic power calls for rebalancing the groups according to Clark. And Seabury seems in almost complete agreement with the Pope in analyzing "economic nationalism," "economic imperialism," and "international imperialism in finance," and with the papal suggestions regarding a redistribution of property as being of assistance in building up a peaceful social community. "Function" as the key to a man's position, combined with some voice in his economic destiny, can further peace. As Selig Perlman writes:

> As circumstances change and as the plane of the industrial struggle rises, the methods of organized labor change accordingly. And as unionism takes more and more of a hand in running the productive process, it comes to depend for guidance less and less on a dogmatic anti-capitalist philosophy, but more and more on a pragmatic faith in industrial government through a co-operation of equally indispensable "functional" classes.[10]

The idea of introducing a professional spirit into industry, of organization according to function, with responsibility and control exercised by all participants in a trade is not only Tawney's idea, but also a papal conception.

An organic reform of economic life is called for in the papal encyclicals and the recommendations are upon various levels. A basic reform in morals is needed. We must not consider that the social question can be

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10 Selig Perlman, A Theory of the Labor Movement, New York, Reprint, 1949, 317.

solved by "natural" means alone; this would lead to social Pelagianism. The Papal Program also calls for correction of specific situations, and this brings up social legislation, in which three things are involved--"getting it passed, getting the courts to uphold it, getting it enforced."[11] Judge Seabury puts little confidence in formal social legislation and considers that the industries could do their own policing better, assuming right organization.[12] However, he does not discard the proper role of the state in such affairs.

The final recommendation in the encyclicals relates to the fundamental change in the socio-economic structure, in addition to piecemeal reforms. The present artificial societal structure based on a mechanical stratification according to property is to be superseded by a genuine order in which social function is recognized as the decisive criterion of organization. Clark's responsible society of responsible persons agrees with this structure in the recognition of the position of intermediate groups, and Seabury also gives emphasis to this principle of subsidiarity. Both see that union-management cooperation is called for and that industrial jurisprudence must be pushed as an acceptable institutional pattern. However,

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11 Joseph N. Moody, ed., Church and Society (Catholic Social and Political Thought and Movements 1789-1950), New York, 1953, 873.

12 Ordway Tead, "Public-Mindedness Through Co-operation," The Annals of the American Academy of Political and Social Science, Philadelphia, Penna., November, 1946, 163, holds that voluntarism is the essential pattern in joint management-labor arrangements and that "the success of labor relations. . . is not a legislative matter or determined by legal factors."

since union-management cooperation offers a dual or ambiguous aspect,[13] it is necessary to channelize the efforts within a sound structural system. The development of democratically controlled institutions[14] with recognition of their autonomy or self-governing position is encouraged by both men. Clark proposes a national economic council to set national policy (could this coincide with the national body of Industry Councils?), backed up by formal organizations in the business communities. This corresponds in part with papal structure of industries on the regional and national levels. At times, it appears as though both Clark and Seabury in all but specific terms, are discussing the Industry Council Plan, although the cooperative movement looms large in the latter's scheme.[15] Both men would use existing groups in building since they fulfill important social functions, no matter how imperfectly. Institutional improvement can be given these stepping stones in an organic society.

By upholding the right of these intermediate groups to exercise economic power both are in agreement with Catholic political thought which

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13 Goetz A. Briefs, "Sociological Aspects of Union-Management Co-operation," Review of Social Economy, V, June, 1947, 59-68.

14 John R. Commons defines an institution as "collective action in control of individual action." The Economics of Collective Action, New York, 1950, 26.

15 The same might also be said about Ordway Tead, who, in his The Art of Administration, New York, 1951, discusses the "structuring of coordination" (187-194), and a labor-management productivity program (169-177), which sound like the papal proposals. There are other concurrences in his recognition of the public interest as the end of the economy and the role of representatives of functional groups in industry.

rejects a monomania of sovereignty by the state.[16]

Nevertheless, the state has a highly responsible place in the organizational structure of the Industry Council Plan. Its position as the supreme authority is recognized by Clark and Seabury. Also some public legislation to authorize the existence of Industry Councils and to invest them with a juridical status would seem called for, although Seabury suggests the possibility of extra-legal existence. The problems connected with such a situation would tend to favor a public recognition as finally occurred in the legalization of labor unions. Further, the state, as the representative of the public interest and that of the consumers for whom direct participation is difficult in economic life, would exercise some sort of supervisory power, retaining at least a veto over decisions of the Industry Councils. This represents more than an extension of collective bargaining which does not of itself ensure economic stability.[17]

Clark and Seabury call for self-government in economic affairs with all the participants in industrial life represented in the autonomous organizations which will exercise quasi-governmental powers. These men, in line with Neil Chamberlain, recognize what Higgins refers to as "the rise of self-government in business; the extension of union control into all fields of managerial discretion; and the expansion of the area of negotiations into

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16 Terminology of Oswald von Nell-Breuning, S.J., "The Social Structural Order and European Economic Unity," Review of Social Economy, X, September, 1952, 109.

17 George W. Taylor, "Has Collective Bargaining Failed?", The Annals of the American Academy of Political and Social Science, Philadelphia, November, 1946, 154.

industry-wide collective bargaining."[18] They suggest programs for a pattern of industrial organization which resemble in many ways the papal Industry Council Plan. Along with Golden and Ruttenberg they consider the national cooperation of management, organized labor, and government as essential in meeting the challenge of our postwar economic, social, and political problems.[19]

From our analysis of Clark and Seabury, it does not seem presumptuous to title this thesis Two American Concurrences in the 'Industry Council Plan'. Essential agreement upon principles and the general structural features of societal organization mark their approaches and that of the Encyclicals. These men, as well as others quoted, have broken out of the isolation of economics and law and are relating their studies to the social problems of the day, attempting to establish a socio-economic system in which men as individuals, as well as members of social entities, can participate in directing their destiny. Possibly the greatest Catholic contribution lies in stressing the fundamentals of justice and charity, the dignity of individual persons, and right and duties. And the principal motivation is the recognition, best stated in the words of Pius XI in regards to the

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18 George G. Higgins, "Union Attitudes Towards Economic and Social Roles of the Modern State," Interpreting the Labor Movement, Industrial Relations Research Association, Madison, Wis., 1952, 165.

19 Clinton S. Golden and Harold J. Ruttenberg, The Dynamics of Industrial Democracy, New York, 1942, 155. It might be well to mention that the terminology "Industry Council Plan" is not to be confused with the Industry Council program of the C.I.O., although there is an obvious, but possibly superficial, similarity.

initiation of a better social order through vocational groups, "that to attain this last named lofty purpose for the true and permanent advantage of the commonwealth, there is need before and above all else of the blessing of God, and in the second place of the cooperation of all men of good will."

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