

ONWARD TO OWNERSHIP

Industrial Control Passing from the Few to the Many

GUSTAVUS MYERS

THERE are certain epochs when delusive appearances take shape as realities and obscure great social transformations. Superficial changes such as dress fashions, living conditions, and other things of the obvious sort are readily seen. The character of underlying forces is not so evident. Manifesting themselves by piecemeal, they are likely to mislead the understanding. They present themselves as a mere deviation from established conditions and yet are precursors of an altogether new order. In their earlier course these phenomena confuse beholders by starting on a path that conceals their actual destination. Often they perform their mission at unexpected times. In a period when the social tone is light, apparently absorbed in frivolities and impatient of serious questions, these forces are actively at work preparing their surprise.

To the discerning eye this paradox is now occurring in America. Accumulated facts prove that we are undergoing a most important change, from a very old mechanism to an entirely new kind of industrial civilization. Superficially viewed, however, these evidences are interpreted as a strengthening of the existing order. Whatever the utensils of industry, whether the hand tool

of centuries ago or the electric machine of to-day, dominant control has always been exercised by a relatively small number of owners. The capitalist of modern times is the successor of the master of former ages; names and methods have changed, but the essential has remained the same. To a notable degree, definite progress has been effected which points to the ultimate abolition of this immemorial system. Modification is already here but, concealing its true nature, masks itself as mere variation. To understand the significance of evidences now presenting themselves we need only scan the recent course of events.

A sudden shift from raging storm to calm could not be more bewildering than the change which has converted American industry from a battle-ground to a region of comparative peace. Where now is the strident labor-union war-cry, shouted through many a decade, that the conflict between the interests of labor and those of capital was irrepressible? What has become of the fierce public agitations against corporate dominance? Why has the once loud roar of socialism against the capitalist system subsided into a scarcely audible monotone, and its

enrolled membership declined to a remnant?

Strikes continue. In industries such as coal-mining they may be bitter and protracted. But in general they are seldom of the furious kind that once assumed the wide proportions of implacable industrial warfare. Occasional movements against corporations still arise; they are particular protests rather than popular outbreaks, and they soon dissolve into memories.

This is the situation that is puzzling to many contemporaries. Long intensely assailed and in deep public disfavor, corporate control now comes forth with all of the aspect of victory. It and the system it represents seem to have surmounted all obstacles and triumphed over all antagonists. In the long-drawn contest labor has gained much in improved conditions: recognition of its unions, joint bargaining, higher wages, shorter hours, and other advantages. The public has secured enactment of a multitude of laws regulating corporate powers and providing safeguards against corporate abuses. But in respect to the fundamentals on which its operation is based, capitalism never seemed so well intrenched as at present.

Until a few years ago it was an institution with a relatively slight number of beneficiaries. Employees were in a separated division as wage-workers, and the public was a sheer outsider. It fought the one and alienated the other. Many contributed to its profits, but few shared them. As thus administered it set itself imperiously aloof from the commonalty.

The first faint signs that this attitude might be abandoned came a quarter of a century ago. One or two corporations initiated the plan of selling shares of stock to employees. Other corporations viewed the innovation as an unbusinesslike whimsy. Radicals scoffed at it as a palliative which would fail. Labor-unions dismissed it as of no importance. In 1902 when the United States Steel Corporation announced its purpose to sell stock to employees, the plan was still a novelty. Although action by so large a concern attracted some attention, the tendency was to impugn the motive and minimize the result. Clear-sighted as were labor spokesmen in other ways, they could not see that capitalists themselves were proclaiming radically new principles and putting them into operation. Socially and industrially considered, the declaration of George W. Perkins was of a revolutionary nature. As a director of the United States Steel Corporation he informed the Commission on Industrial Relations in 1915 that the company's object was "to substitute for a few individual owners a very large number of owners."

If any political oligarchy had announced that thereafter it would share power with the people, the news would have been presented under large head-lines and at its full value. When an industrial oligarchy did so, little attention was given it, and such as was given was incidental and derogatory. Public thought was then fixed upon corporate misdeeds; there was little disposition to credit corporations with either good intentions or constructive policies. Looking to the

effect upon their organizations, labor-union leaders glowered at the plan as an attempt to undermine union strength. Suspicion was voiced that the method of making it easy for employees to buy shares by monthly payments was only a scheme to exchange stock for submission.

Since then, especially in the last few years, the stock diffusing movement has progressed with ever increasing velocity. Various authoritative compilations show this. A table recently published by a prominent New York trust company shows that in twenty-two corporations alone there are 315,497 employees owning outright 4,258,470 shares of stock with a value of nearly \$455,000,000. These figures did not include 173,216 other employees who had not yet paid their instalments in full on 650,581 shares. And they covered only stock purchased under company plans and not stock bought independently by employees. Data assembled by Robert S. Binkerd, vice-chairman of the Committee on Public Relations of the Eastern Railroads, shows, in industries which gave returns, a doubling of the number of stockholders in the period 1918-25. The increase was from 2,537,105 to 5,051,409. In this increase there were 338,760 employees, 864,764 customers, and 1,310,880 of the general public.

So constantly, however, are corporations offering additional issues that figures become inadequate as soon as published. Several years ago some labor writers were inclined to belittle the proportion of employee stockholders compared to the total number of "gainfully employed"

persons in the United States. They no longer do so. In two years the number of railroad stockholders has increased from 800,000 to more than 1,000,000. In other industries the number in five years has doubled or nearly so; for instance, the gas, electric light, and power companies, which had 1,250,000 stockholders in 1918 and 2,611,000 in 1925. Information is still lacking as to the precise proportion of the workers employed in each industry that owns stocks. A compilation by the Industrial Relations Section of the Department of Economics and Social Institutions of Princeton University shows that wage-workers in the United States now own \$700,000,000 worth of stocks in corporations employing them. The whole number of corporation stockholders in the United States is now perhaps 17,000,000.

The capitalist is elated. He declares that corporations have at last found an effective means of relieving industry of costly struggles between capital and labor. To the extent of its capacity to save money and acquire stock, labor, he says, is now capitalist. With brimming satisfaction he observes that the policy of enrolling employees as stockholders has assured corporations of the interest, support, and greater efficiency of workers. In an article on the subject, a monthly published by a large Wall Street banking corporation exultantly announces that "the old line of demarcation between capital and labor fades into shadowy vagueness."

Until recently labor officials were wholly preoccupied with challenging

motives and disputing claims. As set forth in the "American Federationist," organ of the American Federation of Labor, their objections have been various. Certain companies sought by proffering stock to deflect employees from attachment to unionism. In consumer or popular ownership, public utility corporations aimed to create a safeguard against governmental competition or more rigorous regulation. Diffused stock ownership did not mean industrial democracy; stock ownership was not identical with the power of participation in the management of corporations or control over their affairs. Although these strictures are still being made, they are now becoming tempered with an aim to utilize and not merely criticize the new conditions.

A feeling of dismay oppresses radicals. Long agitating for the abolition of the profit system, they see it apparently wider and more deeply rooted than ever. They strove to awake society to the injustice of the profit motive, exhorting the many who were used for profit to destroy the foundations upon which the system was based. According to their theory, an awakened proletariat would acquire political power and reorganize society by ending capitalism and with it all class divisions. In vain do radicals now look for anything in America resembling a proletariat. They see in the main a mass of industrial workers gratified with high wages, filling savings-bank coffers, buying homes, disporting themselves in motor-cars, regaling themselves with radios, ready to buy corporation stocks, and eager for dividends. The more discouraged

radicals bitterly complain that the American worker has become capitalist-minded and relishes his new rôle so well that he yearns for a larger share.

~

To all parties concerned the observation is here offered that the flux of a transition period is not conducive to clear vision. If direction is not discernible, sequel is much less so. Viewing each development in too detached a way, we are tempted to accept passing phases as finalities. By enlarging the view to include the course of progress in the past, the significance of present events becomes clearer. Striking analogies are disclosed. Circumstances are not the same, but the principle involved is similar.

Thus seen, the great change now under way is not what it seems but what it actually is. Industrial ownership is being transferred from the few to the many. Proprietorship is ceasing to be a class possession. Now in a rudimentary stage, the process is so beclouded that its deeper meanings are not well perceived. This lack of perception was equally true of bygone eras when previous evolving forms of proprietorship were hidden from easy identification.

For many centuries land proprietorship was a class monopoly. The serf's most ardent ambition was to own land, and the feudal lord's main design that of preventing him. Consider England, for example. Gradually some lords there did relax by assigning to their serfs small areas of land.

An unexpected event in the year 1348 was the culmination leading to

the creation of an entirely new landed proprietary class. Devastating England, the Black Death caused a great scarcity of labor. Dire necessity forced the lords to part with much of their long-cherished proprietorship. To stop his serfs from running away to some other estate, each lord had to outbid the others in offering advantageous terms for selling land. Easy instalment payments were accepted, just as now they are in the disposal of corporation stock.

The craving for land proprietorship was not exclusively for material ownership. The whole social and political system was based upon land proprietorship, which gave prestige and power. For a long time in England no man could vote or hold office unless he owned a specified amount of landed property. Transposed to America, these qualifications remained in force until a century ago. Every man and woman citizen now has a voice in determining political government.

The present evolution of our industrial society offers a fair parallel. What an epidemic accelerated in land proprietorship, and political upheavals in vote proprietorship, social agitations accomplished in opening the way to industrial proprietorship. Testifying before the Commission on Industrial Relations in 1915, big capitalists and corporation attorneys did not attempt to conceal their fright at the portentous social unrest. They pointed out that humanitarian activities introduced in some industries had not allayed the mounting demand for a better distribution of wealth, that to soothe discontent further measures would have to be

taken. Impressed by this view, some older capitalists sanctioned an "enlightened selfishness" course which offered the prospect of conserving their power and of lessening the odium their practices had brought upon them. The younger generation of capitalists was neither blind to self-interest nor closed to upspringing ideas of the age. Socialists now grieving over the virtual evaporation of their movement may console themselves with the assurance that their idealism had an enormous influence in creating new social concepts—a fact duly acknowledged by antagonists of their theoretical program.

The initial movement leading to popular industrial proprietorship repeats the first faltering steps in land ownership and political rights. It progresses by degrees, unfolding in parts which with time reveal the complete result. The transfer of proprietorship of political rights from a limited number to the whole community was gradual, encountering snags devised by wily reactionaries bent upon retaining power while ostensibly parting with it. In America various legalistic contrivances long deprived the popular voice of direct effective expression. Nevertheless no ingenuity of cunning could alter the salient fact that in principle the whole definition of political power had undergone a vast change. Irresistibly popular determination asserted itself, shaking off encumbrances, and never contented until it attained its full aspirations.

Likewise the vital underlying fact now is the advent of popular industrial proprietorship. Its preliminary phase is that of small individual

possession without control. Or, rather, the absence of even partial control arises from dearth of information and from inexperience in the use of a power large in the mass but seemingly futile in detail. The same quandary once confronted the ordinary voter. The sparse accounts published of political problems were so phrased and abbreviated that they afforded little information to an electorate in the primary grade. Reports of corporations are couched in a technical difficult vernacular understood by the initiated but not by the investor needing simple statements. To all appearances the small stockholder's sphere is solely that of ownership of a few shares entitling him to dividends. Close groups of directors, having centralized control of large blocks of stock, meet in offices distant from industry. Almost in the fashion of a family compact they vote the continuation of their régime. Disassociated, uninformed, the scattered stockholders are voiceless in the decision of administrative policies.

Will this situation last? The more recent attitude of labor is that of dissatisfaction combined with study preparatory for the future. In an editorial in the "American Federationist," William Green, president of the American Federation of Labor, pointed out lately that industrial control was still vested in an inner circle. "In the days of individual ownership," he wrote, "ownership meant control. The corporation has separated ownership from authority to make industrial decisions. Though employee and popular ownership are heralded as

presaging industrial democracy, both developments, unless properly organized and directed, will only place a new strangle-hold in the hands of the groups that profit through manipulation."

This suggestion of the organization and direction of small stockholders is a new and hitherto unnoticed development. Emanating from the head of a powerful practical organization, it undoubtedly forecasts a period of translation into deed. "Two ways are open," Mr. Green pointedly continued, "drift or mastery. The latter requires critical examination, research and constructive planning. Labor increasingly needs to participate in research undertakings. Small investors may work out a technique that will assure them proportionate power to protect holdings and to participate in decisions affecting their interests. . . . There can be no question that wage-earners are approaching the time when they are to become larger investors and they must study investments as a practical problem. Labor should determine its own policies and not accept whatever may be recommended by other interests."

In another article published in the "American Federationist," Peter J. Brady, also a labor leader and president of the labor-established Federation Bank of New York, has proposed a specific plan. As a result of employee stockholding it was evident, he wrote, that labor would have a definite program to guarantee workers a positive voice in industrial policies. "Therefore," he concluded, "these workers, not being versed in the ways of business and finance, will, no doubt, in the near

future, find it convenient and desirable to put their proxies in the hands of labor banks to represent them at the stockholders' meetings of railroads, public utilities and other corporations."

Stock-tickers never register this kind of thought, which, apparently intangible, is fraught with large potential significance. Here is traced a not improbable trend which may likely enough strip industrial magnates of some of their power, or at any rate grasp a considerable share. The forerunner of action, this thought, proceeding from the sources from which it comes, indicates that we are approaching a secondary stage in the revision of industrial proprietorship.

The marshaling of small stockholders is no whit less feasible than was the assembling of labor into local and national unions. A century ago workers were isolated units, pathetically defenseless against both employer and hostile law. The formidable task of welding and training them to a use of collective strength was successful. With this demonstration labor long seemed to have reached the uttermost limit of possible activities. The maxim was general that labor could serve but never supplant regular business. To the astonishment of big business, labor began to prove that it could establish and run its own banking and other enterprises. There are

now more than thirty labor banks in the larger American cities.

The too statistical critic may interject that the estimated \$700,000,000 of corporation stock owned by wage-workers is only a fraction of the aggregate \$35,000,000,000 of corporation stocks in the United States. So are labor bank deposits only a small part of total bank deposits. The creation of labor banks has already caused some old-line financiers to face about and elect labor representatives to the boards of directors of their institutions. Popular stockholding is in its infancy. Its potency should not be measured by its relation to the total of all stock issues but by proportion in each corporation.

Unlike labor, the mass of customers and the general public lack special organizations. But, as Herbert Hoover has pointed out, there are many professional and other associations which can be converted into instrumentalities to represent small stockholders. New conditions engender new methods of solution. Political democracy in America created a colossal educational system to mold citizenship by imparting knowledge and teaching political responsibility. There is no reason to doubt that industrial responsibility will be similarly inculcated. Forces now foreshadow extinction of the industrial overlord and the substitution of public good for private interest.

THOSE QUARRELSOME BONAPARTES

V—The Siege of Josephine and the Battle of Rivoli

ROBERT GORDON ANDERSON

“HE IS ripe for the shaft,” said Barras; and though most of the cynics in Paris would have laughed at this diagnosis, he hit pretty near the mark. For if not exactly celibate, Napoleon was anything but a *roué*. Not conscience but rigid self-discipline and the wholesome strain of a primitive race had so far kept his conduct, for a soldier of that day, exceptionally correct. Junot, fiery son of Mars could have sworn to this. Napoleon did not chide him for his indulgence; but never could Junot persuade his chief to go a-hunting with him. And browbeat women as Napoleon could and did in matters of business or of state, he was curiously shy before them in matters of the heart.

So the general set out, arrayed in the full regalia of a commander-in-chief—blue coat with embroidered roll collar and gold-braided white lapels; the V of a pleated shirt, black cravat, and gold-tasseled epaulets; skin-tight white breeches, black boots knee-high, and a red and white sash around his waist. And so he presented himself at the house of the contaminated Barras.

It was an imposing L-shaped marble affair, with lofty classic windows and a stately flight of steps.

As he hurried up these, he caught, through the wind-fluttered draperies, the gleam of bright lights, the clink of swaying pendants, and the musical lilt of women's voices.

That some of the ladies might be frail did not concern him. If frail, they would be lovely; and there would also be present those of undeniable virtue, fit helpmeets for a commander-in-chief. Revolutions make strange associates. And any one sprung from a race that had seen dark times with the Medici knew well the complexities of life. Even the most idealistic could not dwell in ivory towers, particularly in Paris.

Entering, Napoleon found the company divided into chatting groups around a gray-walled room hung with pink draperies, and lighted by chandeliers whose crystal chains like twinkling rosaries ran to the ceiling. In the adjoining room others sat at green baize tables, playing whist, *vingt-et-un*, or the new game of *creps*.

Barras, who now met the young general, was bravely attired in a black coat with lace collar, a white knee-length tunic with a blue sash running horizontally, a yellow one diagonally, across his breast. So, with a variation of cinnamon or violet, were the other directors—