

From T. Arnold, Folklore of Capitalism (1937).

THE FOLKLORE OF CAPITALISM

CHAPTER I

The Systems of Government and the Thinking Man

IN which it is explained how the thinking man, without whom there would be no group free will in modern society, after learning the proper lessons of history chooses wisely between Capitalism, Communism, and Fascism—provided always he doesn't let emotion sway his reason or listen to the blandishments of demagogues.

DURING the 1936 campaign Stuart Chase wrote a book called *Rich Land, Poor Land*, in which he dramatized with brilliant persuasiveness the appalling waste of irreplaceable fertile soil. No one seemed to doubt that the statements were true or that the situation was serious. Did the political candidates make a major issue of what they were going to do to remedy this evil? They did not. The proposal of a practical plan might have been ruinous to either party.

The wastage of other resources had been apparent for a long time. It had been studied in a report of the National Resources Board, which hinted at plans of control. Did any political candidate dare talk about those plans before the public? Of course not. It was better to talk abstractions about "the American way." This, of course, did not apply to candidates who had no hope of being elected, like Norman Thomas. It did apply to those who were seriously seeking to form a government.

The wastage of human labor was so obvious that it needed no report to bring it to public attention. Yet plans for the

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utilization of this labor to stop the waste of resources were the most avoided of all political issues.

The reason for all this was that men did not want to be branded as Communists, or Fascists, or bureaucrats, or advocates of ruinous spending, or as opponents of the Constitution on the one hand and the capitalistic system on the other. Capitalism, Communism, and Fascism were the greatest political realities among people, none of whom could give an intelligible account of any of these "systems."

The Eternal Debate about Systems of Government

But why should the solution of these plans involve the calling of such names? The answer lies in the psychology which always attends the struggle of a new type of organization to obtain an accepted place in the folklore of the times, which today is called "law" and "economics."

In order to solve the pressing problems of waste of labor and national resources, new organizations were sorely needed; yet there was no logical place in the mythology of government to which they could be assigned. The social needs were felt by everyone, but the slogans which the new organizations used had a queer sound. Therefore, the spirit of the Constitution, the traditional symbols of economics, and the general picture of a "rule of law" as opposed to "bureaucratic control" were all arrayed against them.

This phenomenon always occurs whenever new types of social organization are struggling to arise to fill gaps left in an older order. A merchant class, slowly rising to power after the Middle Ages, had no place of prestige in the social hierarchy. Therefore, when the need for banking and credit began to be felt, only the despised Jewish money lenders could fill it. Society tolerated them but felt compelled to establish the fact that such techniques were unworthy by

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laws of the Church declaring them illegal and immoral. Today there is great pressure on the Government to take over the techniques of bankers, to form government corporations, to use government credit to promote the distribution of goods as bankers had used it and even directly to distribute the goods themselves. Such new activities, of course, meet the same kind of theological opposition as met the growth of private banking in the Middle Ages. They are immoral; they will cause the ruin of national character; they will break up the home; they will destroy freedom. There is no reason to be alarmed or irritated with such opposition. It is only necessary to understand why it is inevitable.

It may be asserted as a principle of human organization that when new types of social organization are required, respectable, well-thought-of, and conservative people are unable to take part in them. Their moral and economic prejudices, their desire for the approval of other members of the group, compel them to oppose any form of organization which does not fit into the picture of society as they have known it in the past. This principle is on the one hand the balance wheel of social organization and on the other hand its greatest element of rigidity.

A failure to understand this is responsible for all the nonsense which intelligent, scholarly persons always write about contemporary revolutions of any kind. This nonsense, however, occurs with such regularity that it should be regarded as one of the fundamental factors in social psychology rather than nonsense. Its pattern is always the same, though the words may be different. What was called heresy in the Middle Ages is called Communism today, but the essential ideology of the argumentative attack, then and now, is identical. The reactions to the French Revolution and to the modern German, Russian, or Italian revolutions differ only in that the vocabularies are different.

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Law and morals and economics are always arrayed against new groups which are struggling to obtain a place in an institutional hierarchy of prestige. The violence of the combat depends on the extent of the departure from the older ways of doing things. When John D. Rockefeller built an empire in a world which was supposed to be composed of competing individuals, he violated the mythology and folklore which pictured what the great businessman was supposed to do. In the same way, John L. Lewis, with his sit-down strike, violated the ideals of what respectable labor leaders should do. Had Rockefeller and Lewis followed current scruples, they would not have built their great organizations. The reason is, of course, that such scruples were the products of a time which did not recognize the necessity, or even the legality, of such organizations as Rockefeller and Lewis were trying to form.

The departure of John D. Rockefeller's organization from established ideals was not great, and hence the moral revolution was confined to the extreme liberals. It resulted only in the "muckraking era." Today, however, the new organizations growing to fill gaps in a highly organized society violate current notions of the structure of government in a much more dramatic way. Hence the spiritual conflict is much more marked. The difference between the violations of current folklore in the rise of the Standard Oil and those in the present growing participation of government in the distribution of goods is the difference between venial sin and outright heresy.

All arguments against heresy follow the same pattern. A Devil must first be discovered who is trying to lead the people astray. A Hell must be invented which illustrates what happens to those who listen to the Devil. The conception of free will is essential. Then the age-old story is told.

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Russia and Germany listened to the Devil. They are therefore in Hell.

In our rational and sophisticated age the Devil and the Hell become very complicated. The true faith is Capitalism. Its priests are lawyers and economists. The Devil consists of an abstract man called a demagogue. He is the kind of person who refuses to be moved by sound economists and lawyers and who is constantly misleading the people by making the worse appear the better reason.

Group Free Will and the Thinking Man

It is impossible to conduct public debate on political or economic questions today without assuming some sort of group free will. Without this assumption moral judgments about nations or institutions which refuse to follow the right economic principles would be impossible. People insist that such judgments be made and in order to make them two things are necessary: first, a set of principles to use as a standard and, second, the conception of group free will in order to assess blame against those who refuse to follow those principles. Therefore an abstract man is created who has the ability to understand sound principles and the free will to follow them. All public debate is supposed to be addressed to him.

This abstract man is usually called the "Thinking Man" because today rational thought is the way of economic and legal salvation. In earlier times when faith was thought to be better than reason, the men who feared God were at the receiving end of public exhortation. It was the doubters who created the breeding ground for heresy. Today, in an age of reason, the doubters are not considered dangerous. It is the unthinking man or the uneducated who are led astray by unsound principles such as Communism or Fascism, which are the modern equivalent of heresy.

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may be misled for a short while, but in the long run he is hard to fool. He hates superficial reasoning and quick remedies. He is imbued with the pioneer spirit of America. He knows that we must balance the budget. His duty is to warn against impending doom, so that if unsound theories are followed he will be able to say that it was not his fault. He never sacrifices principle for expediency. Our colleges are devoted to the task of training him. It is through the study of things like Latin and Greek that he develops the mental muscles which enable him to understand complicated theories. He knows the lessons of history and follows them. He distrusts politicians and sees through their wiles. It is to him that genuine statesmen appeal. (Genuine statesmen, of course, do not stoop to stir up the emotions of the mob.) Therefore, Mr. Hearst, Mr. Landon, Mr. Roosevelt, the *Chicago Tribune*, the *New Republic*, the *Saturday Evening Post*, Mr. Norman Thomas, John W. Davis, and Earl Browder all address their remarks to the thinking man. Of course, only the sound persons or publications named above really address their remarks to the thinking man. The unsound ones are stirring up the emotions of the mob by misrepresentation and demagoguery and are just pretending to address the thinking man. The thinking man is supposed to see through all of that and make the proper selection from the above list.

Education makes more thinking men. A free press guides them. Unlimited public discussion aids them in coming to their unemotional and unbiased decisions.

Without the almost universal acceptance of this concept of the "thinking man," the debate about the merits of *Capitalism* v. *Fascism* would be impossible. The whole rational structure of this debate depends on group free will to choose a "system of government" based on this abstract individual. In the old debates on heresy the abstract man in the background was the "believer." Today, of course, we consider our

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This conception of a group of thinking men in society to whom rational appeals can be made, who are willing to accept right principles when they are logically explained, is much like the former ethical notion of individual free will which used to be applied in the treatment of maladjusted personalities. In the naïve psychology of the past "Free Will" was a little man in the top of one's head who caught bad impulses and suppressed them. He did this by asking the advice of another little man called "Reason." In order to listen to Reason, however, it was necessary for Free Will to dismiss from the conference a third little man called "Emotion," who had a tendency to obscure the clear advice of Reason.

Today no competent psychologist talks that way about the habits and conduct of the individual. However, these conceptions are still necessary for political, economic, and legal discussion. To understand the debate about Communism, Capitalism, and Fascism, it is necessary to analyze the "Thinking Man," who is essential to our notion of group free will. He is a most interesting fellow, because he is the person who is supposed to choose the system of government for America.

Let us briefly describe him. He is the fellow we might all become if the demagogues would only let us alone. He is the gentleman who accepts sound and rejects unsound principles. He does not sit upon the interpretation of the laws of the nation, because that requires the peculiar and artificial reasoning of the law. Here we must call on the sound jurist, who is in constant combat with unsound jurists. It is the duty, however, of the thinking man to distinguish between sound and unsound jurists and follow the former. In the field of sociology and economics, however, the thinking man sits on matters of principle in his own right. He chooses the reasoning of the Brookings Institution and throws out of the window the unsound theories of General Hugh Johnson. He

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selves too rational to rely too much on the believer. Beliefs and faiths are all right in a democracy only after we have first *thought them out* or hired someone to think them out for us. The Middle Ages, we think, were very wrong in relying so much on ceremony. Protestants often point out that this is a weakness of the Catholic Church. The capitalistic system is not supposed to be founded on faith but on reason. The thinking man analyzes it and then accepts it by observing the greater dangers which follow acceptance of other systems. The process is something like this. Germany was confronted with a choice between the right principles of government and the wrong. It chose the wrong ones, because people were misled by demagogues. Once the wrong ones were chosen, the persecution of the Jews automatically followed. This should have been clear to the thinking men of Germany, but either there were not enough of them in Germany or else the German thinking man was not particularly bright about government. The thinking men of America see this very clearly and warn people about the dangers which follow the acceptance of these foreign principles. On the other side, we find people in Germany and Russia talking in the same way about America and England. Russian propaganda in this country is based on the notion that thinking men can be educated in capitalistic countries.

The above is a description of a prevailing point of view. It is not a recommendation for reform, because it is a point of view which in daily life cannot be escaped. It is essential that the individual feel that he has free will and reason, as separate qualities, in order to conduct his affairs with dignity and force. It is equally necessary that he have that same feeling toward the institutions to which he is loyal. All the ceremonies of daily life are set in the confines of that stage. However, for purposes of diagnosis or dissection of social institutions, it is necessary to realize that what we call free will, and

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sin, and emotion, and reason, are attitudes which influence conduct and not separate little universes containing principles which actually control institutions. The world from the point of view of reason and free will may be compared to a highly idealized portrait of an individual which flatters him and makes him proud. It is useful to hang on the wall. It is entirely useless as a basis for diagnosis or prescription if the individual happens to be ill. The separate utility of these two points of view is seldom recognized in political or economic thinking. We are still convinced that appeals to the thinking man to choose his system of government are not ceremonies but actual methods of social control. We still use governmental creeds as a basis for diagnosis.

This almost universal point of view effectually prevents men from observing the complex series of events either in their own or in foreign countries. Having adopted a creed, they use the most convenient disagreeable incidents occurring in countries with different creeds to demonstrate the truth of their own creed. Therefore, the creeds of those nations where centralized governmental organization is operating with the most violence become the most potent political weapons against exercise of national power to solve national problems in America. It is for this reason that Sweden does not give us a good parallel for political debate in America. It is difficult to describe that country in simple abstract terms. Germany, Russia, and Italy are much more convenient for argumentative purposes because their misfortunes can be laid to the fact that their creeds contradict our own established principles.

The creeds of these countries, of course, do not describe or explain the events taking place there, any more than the *Book of Mormon* describes the actual development of the Mormon Church. They simply furnish the Devil and the Hell which are supposed to follow a departure from our own settled prin-

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ciples. The lessons of history are used in the same way. Men do not actually search history to avoid the mistakes of the past. They seek convenient analogies to show the dangers in failing to adopt the creed which they advocate. The legal or economic prophet of today sincerely believes that he is using a process of analysis and reason to help the thinking man in a voluntary choice of a political or economic creed.

But how do men actually choose these creeds? The answer is that they do not choose them. Men become bound by loyalties and enthusiasms to existing organizations. If they are successful in obtaining prestige and security from these organizations, they come to regard them as the ultimate in spiritual and moral perfection. This attitude is necessary for the morale of these institutions. When a time comes that these old organizations fail to function, new organizations struggle to fill the need. The practical need for them must be plain or they would not make any headway. Yet they can have no slogans, traditions, or creeds, because they are so new. For example, it was obviously necessary to form a governmental organization to feed people during the depression. There was no place in our creed for anything other than charity. Therefore, the feeding of those in need by the Government violated that creed. Distribution of goods to unemployed who happened to possess no stocks or bonds had not as yet developed a creed of its own. Hence the dole was supposed to lead to the destruction of individual initiative, the ruin of national character, and the downfall of Capitalism. Communism in Russia became the favorite parable against the Government's accepting the obligation to distribute available goods, because Russia was a country in which government had assumed that obligation and which also had lots of internal difficulties. Had Russia been more prosperous, some other country would have been used as a parable.

A beautiful example of this automatic religious opposition

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to new forms of organization is found in the controversy between the Supreme Court and Roosevelt. The Court had been confusing and delaying every exercise of national power to solve national problems. It was paralyzing new administrative organizations of the Government by its attitude of hostility. In this way it gave great spiritual comfort to those who feared the exercise of national power to solve national problems. It enabled them to attack these new government activities from a mystical point of view and thus to avoid discussing the unpleasant facts which made these new activities necessary.

When the Government sought to free itself from the mystical domination of the Court, all practical discussion was drowned in predictions of moral catastrophe. Intelligent leaders of the American Bar reacted automatically to the spiritual conflict and indulged in the stereotyped pattern of debate which we have been describing without any realization that it was stereotyped.

In this atmosphere, for those who were seeking rational grounds to express their distrust of new forms of social organization, Communism and Fascism came to be political realities in this country. They were imported by newspapers like the *Hearst* chain and magazines like the *Saturday Evening Post* which constantly preached the dangers of changing our system of government. It was through such sources that these magic words got their greatest advertising and their widest currency. It was from our great institutions of learning that such prophets of disaster got their scholarly support. Parables were needed to dramatize for conservative Americans people their phobias against change. "Bureaucracy" and "regimentation" were entirely too vague without concrete examples. The parables of the wild Russian and the cruel German were admirably adapted for use as bogeymen. It was in this way that the notions of Communism and Fascism

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spread. In this way men in the United States became vitally interested in competing "systems" of government.

In Sweden, by way of contrast, new organizations to fill the same needs did not encounter such violent priestly opposition. Why it was that Swedes were able to accept the comforts of government-subsidized houses without worrying over the totalitarian state and the abolition of individualism is a complicated study in national psychology. One answer is that Sweden was sufficiently practical in its outlook to avoid this conflict. Therefore, the issues of Capitalism, Communism, and Fascism did not become important political realities in Sweden. Neither did they achieve such overshadowing importance in England. England, by electing a Socialist, discovered how little difference allegiance to a formal "system" of government made. They found him more conservative in action than the Tories.

The Conflict between Capitalism and Foreign Systems of Government

In this country, since it was particularly devoted to rational principle, the attempt of new organizations to rise in response to vital needs gave rise to a holy war between the great fundamental principles of good and evil. This was the "fault" of no one. It simply illustrated the inevitable working of a law of political dynamics. When a new organization attempts to rise in an atmosphere of religious devotion to a governmental mythology, it cannot succeed without the development of a set of principles and a mythology all its own. The emergence of this new set of principles and mythology cannot be accomplished without some sort of holy war, the violence of which depends on the habits and culture of the people.

As we have said before, the creeds of Communism and

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Fascism were no more descriptive of what was happening in Russia or Germany than the current economic creeds were descriptive of what was happening here. Nor was their content important, because no one who used the creeds' words in public debate knew anything about their content. It was only important that these words could be used to surround new organizations in America with a vague atmosphere of disorder. Revolutions serve to emphasize very vague ideas and make them appear to have a specific content. Both the Russian and the German revolutions pictured the State in a new relation to other social organizations. These revolutions advanced that idea by focusing attention on the actual possibility of its practical realization. Yet at the same time they retarded the acceptance of enlarged state activity by creating new phobias of violence and suppression. This is important to remember because of the generally accepted notion that revolutions advance new ideas. What they actually do is to give morale and organization to radical individuals. This may or may not advance the new idea. Too often it creates a conflict in which even familiar progressive ideas appear to have a radical tinge.

Thus Communism and Fascism in this country gave impetus to radical organizations and at the same time made familiar humanitarian ideals look violent by coordinating them with events in violent and disorderly countries. The resulting conflict caused respectable people to oppose humanitarian ideals for fear of being identified with the radical organizations which advocated them under these strange names. The underlying philosophy of both Communism and Fascism was familiar enough in this country. It had been identified with a dissenting but nevertheless respectable group, Norman Thomas was not regarded as dangerous. He preached Christian ethics in government in a perfectly respectable way. At no time did he appear to offer the possi-

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talism is a good system, in which the individual has freedom. Communism and Fascism destroy the freedom of the individual. The whole political campaign of 1936 consisted in ringing the changes on these naive ideas. Every practical scheme for social betterment had to be tested for tendencies leading to one or the other of these systems. If it led to Communism or Fascism, it was thought better to humiliate the unemployed or to waste natural resources rather than take steps which would change the "capitalistic system."

To this way of thinking about government may be attributed the failure of such schemes as governmental housing and the control of agriculture. Waste and want were present on a large scale in a land of plenty. Yet people with no conceivable material interest at stake preferred that they continue because the practical steps to alleviate them led to another system of government. Coupled with this naive belief that Germany and Russia had actually chosen the erroneous political theories that now threatened America was an astonishing ignorance as to just how the changes in Germany and Russia had come about and how the present governments in those countries operate. For a long time our editorial writers solemnly proved that these governments could not survive, because they were flouting every sound political principle. When their survival began to be recognized as an accomplished fact, these same editorial writers were equally convinced that America was about to become like Germany on the one hand, or Russia on the other, and to imitate both their culture and their institutions. It was thought that the safest insurance against such terrors consisted in stripping the Federal Government of all power of social control.

The Search for Universal Truth in a Political World

We can better understand this way of thinking if we compare it to the splitting up of the Roman Church during the

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bility of putting these ideals into practice. Therefore, he was never hated the way that Roosevelt was hated. He was never identified with an organization that seemed about to do anything practical. Here was the kind of Socialist that a decent Socialist was supposed to be—for whom romantic college professors could vote. He symbolized a conflicting ideal without creating a practical working institution which interfered with any of the ideals that Socialism contradicted. Thus conservatives liked to have him around, just as respectable married people of the Victorian age liked to read about Lancelot and Guinevere and admired Tennyson for writing the *Lady of the King*. This is what a friend of mine meant when he said Norman Thomas made him "think."

The rise of actual institutions to accomplish a few of these ideas, however, threw them completely out of focus. It was as if Lancelot and Guinevere had suddenly appeared to conduct their affair next door to Mr. Tennyson (who would have been one of the very first to move out of the neighborhood). Conflicting ideals, respected in their place, become disquieting when they appear in the wrong rôle. If the function of the political or economic or legal creed as a ceremony is understood, this phenomenon will appear entirely normal. There are certain dramatic rules to be observed or the show is spoiled. No rage is equal to the rage of a contented right-thinking man when he is confronted in the market place by an idea which belongs in the pulpit; and this is as true of organizations as it is of individuals.

And thus the holy war between Capitalism, Communism, and Fascism is one of the greatest obstacles to practical treatment of the actual day-to-day needs of the American people. Even agricultural credit and soil conservation become tainted with Communism. All sorts of sensible suggestions are drowned in the din of battle. It is a fixed idea that any society has a free-will choice to make between these systems. Capitalism

functions of the missionary. Medical attention to underprivileged groups, or even to the heathen, is now thought of far more importance than the holding of services.

This has not yet happened to our political religion, which is the most vital religion of today in that it is the only one for which men are willing to persecute their fellows and to lead crusades.

Back of the ascendancy of creeds and the complete subordination of practical consideration is the notion that statesmen today, like the priests of the Reformation, must devote themselves, with the aid of scholars, to discovering principles of universal truth. This is an idea shared by Hitler, Hearnst, newspaper columnists, and great scholars cloistered in universities. We cite as an example the well-known columnist Dorothy Thompson, commenting on a scholarly disputation at the Harvard Tercentenary:

Prof. Gilson comes from Europe and he spoke with the feeling and apprehension of one who lives in the midst of a revolution which threatens to sweep away the very basis of the civilization in which we live. In his speech he made perfectly clear what that basis is. Its foundation is the belief that there is a spiritual order of reality, "whose absolute right it is to judge even the state, and eventually to free us from its oppression."

He said: "The conviction that there is nothing in the world above universal truth lies at the very root of our mental and social liberty." If it goes, he warned, there will be nothing to protect us against the worst kind of slavery to which mankind is now being submitted by totalitarian states—mental slavery.

In very different words, Prof. Gilson echoed the thoughts which were expressed some weeks ago in the epistle of the dissenting Protestant clergy in Germany. Such ideas also lay behind the refusal of Oxford and Cambridge Universities to participate in the quinquennial celebration at the University of Heidelberg this year. They are the conceptions that truth, morality, social justice and beauty are necessary and universal in their own right.

Reformation into creeds and sects which mutually distrusted and feared each other. Each creed was thought by its followers to be the only way of salvation. Yet the supporters of each creed were in constant terror that their own sect might be seduced by the ideas of the others. There followed a constant series of petty persecutions and crusades, accompanied by an extraordinary literature of learned disputation, so similar to editorials of various kinds today as to leave no doubt of the character of the phenomena. None but the very learned men could readily explain the actual difference between the creeds, just as none but learned men can write economic theology today. It was enough for the ordinary men to devote their efforts to defending the faith. The essence of the faith was that we must undergo present inconvenience to save our souls for the future. That was hard, but worth-while. The present was transitory. Hell was the wage of violating the taboos of the medieval church. Inflation and dictatorship are the wages of governmental control of natural resources today.

The idea that a church could be judged by its effectiveness as an organization had not appeared above the horizon. It was supposed that the specific provisions of its creed made it a good or a bad church, because if the creed was right, temporary deficiencies would be bound to disappear. The public declarations of the church as to matters of belief were thought to be most important contributions to society. The real object of the church was neither charity nor any form of social work but the unremitting search for universal truth.

Today the attitude of the church has so changed that its function as a seeker for universal truth is more a part of its formal ritual than its vital ideal. For most people the standard by which churches are judged is their effectiveness as a social agency among the people with whom they work. This is evidenced by a complete change in attitude toward the

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They cannot be true alone for a certain social organization and economic system, or for a certain nation or for a certain race. Their validity must be universal. (*New York Herald Tribune*, September 3, 1936.)

Some of the eminent scholars thought that a supreme court of learning might be a help. This notion is illustrated by a report of the proceedings in the *New York Times*.

It is belief in the universality of truth; the conference was told, that gave the church its supreme and unquestioned moral authority for centuries during the Middle Ages.

This moral authority was sifted down to the masses of the people throughout the Western world from a fountainhead at the University of Paris, which gathered together all the leading intellects of the day, regardless of nationality, in a universal fellowship of truth-seekers.

It now behooves the present-day universities, particularly those in the United States, the scholars are convinced, to assume a role in this era similar to that played by the University of Paris.

It was this moral authority of the medieval church, it was pointed out further, that became a power so great that the temporal rulers did not dare disobey it.

The time has come for the learned men of the world, many of the present-day scholars believe, to recognize their supreme responsibility and to take the initiative in an effort to re-establish a universal moral authority, based on the tenets of universal truth as conceived by the collective wisdom of each generation.

A permanent body of organized intelligence, under the leadership of American universities, because of the world's respect for the unbiased and objective wisdom of its members, would exert such a profound influence upon the nations, the scholars believe, that the force of its moral authority would be similar to the moral authority of the medieval church.

The general questions submitted were:

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1. Do you believe that a supreme court of organized knowledge for the intelligent guidance of humanity can be developed?

2. Can the organized scholarship of the world make itself felt as a power in the world?

3. How shall a beginning be made of achieving this desirable end?

The specific questions were:

1. What do you consider the principal points of potential importance to the world that might come from the Harvard Tercentenary Conferences of Arts and Sciences?

2. Could this conference be described as a temporary supreme court of learning, a court for a weak?

7. Might the opinions emanating from such a group gain sufficient prestige so that States as well as individuals and economic systems would listen to them? (*New York Times*, September 14, 1936.)

It is very significant of the unconscious attitudes toward government that this particular symbol was chosen to represent the study of government. The Supreme Court, above all institutions, stood for the finality of rational principles. In the Middle Ages the University of Paris was actually a supreme court of social principles and judged both law and medicine. It was this University which, in its search for universal truth, placed its ban on quinine as a cure for fever. Today when the world's scholars sought an organization to represent the search for universal truth their minds instinctively seized on the symbol of a court, which for us represents the final authoritative solution of rational and scholarly debate.

This search for truth, instead of convenience, placed the emphasis on principles rather than on organizations everywhere but in business and politics. Nobody wanted a supreme court of business policy to tell Henry Ford and General Motors what to do to sell cars. No one suggested a

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supreme court of political strategy. Those things belonged to the temporal world of affairs, the day-to-day needs of the people—which matters the scholars gladly rendered unto Caesar, as true priests have done from time immemorial. Unless they did this it is hard to see how the great game of scholarship could go on. One does not speak of a successful trial lawyer as a great scholar of the law—one does not speak of successful political strategy as statesmanship.

Of course, there were many among these scholars with exactly the same point of view as the writer's. Yet when the subject of organization was approached, they could do nothing but follow the attitudes of their time. Men—even learned men—cannot "think up" forms of successful organization. Had the writer been fortunate enough to have been numbered among these learned men, he, too, would have voted for a supreme court of learning.

It was in this atmosphere of a search for universal truths that "systems" of government achieved such paramount importance—that practical schemes were judged by their tendencies rather than their immediate effect on health and comfort. Learned men were not interested in bequeathing a physical plant to posterity. They were solely concerned with dictating the social organization of the future. In this they acted as learned men have always acted. Each age tries to dictate the social philosophy of posterity—and in the long run always fails.

CHAPTER II

The Psychology of Social Institutions

In which is portrayed the hierarchy of divinities in American industrial society, whose leadership and inspiration affect our business, charitable, and educational organizations, both great and small.

THE preceding chapter is only an introduction to an analysis of the part that creeds play in social organization. Its purpose is to show that wherever men become absorbed in a medieval search for the magic formula of universal truth the creeds of government grow in importance and the practical activities of government are mismanaged. Holy wars are fought, orators and priests thrive, but technicians perish. Color and romance abound in such an era, as in all times of conflict; but practical distribution of available comfort and efficient organization is impossible.

When we attempt to analyze the actual operation of creeds in society, we discover the surprising fact that their content and their logic are the least important things about them. Socialists, thrown into power against a background of confusion, become more conservative than Tories. On the other hand, whoever obtains power in times of national humiliation and defeat is apt to express and intensify the persecution manias which that atmosphere develops in any people. This happened in Russia and Germany. It was not the result of the doctrines of Communism or Fascism. It would have occurred under any doctrine. Only those leaders who can respond to current aspirations and ideals can survive. Therefore, any governmental creed that is professed by actual leaders must change to fit the emotional needs of their people.

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to be bad our troubles are the result of not voluntarily abandoning it.

Such a point of view makes it impossible to observe how creeds actually operate in the world of temporal affairs. It leads only to pounding the table and preaching the evils of sin. This chapter will therefore be based on the assumption that social creeds, law, economics, and so on *have no meaning whatever* apart from the organizations to which they are attached. To say that the organizations voluntarily choose them is as meaningless as to say that the Catholic Church voluntarily chose the Catholic religion in preference to Protestantism. To blame organizations for not living up to them is as meaningless as blaming feudal barons for not living up to the precepts of chivalry. Books like *In Defense of Capitalism*, from which we have just quoted, are an automatic response to an emotional conflict. They are not an explanation of the creed; they are part of it. In order to understand this we must discuss the psychology of social institutions, which produces similar results regardless of the form into which the statement of the creed is cast.

Social Organizations, Large and Small, Like Crystals, Pattern Themselves after the Same Form

THE social organization of a nation is the unifying force which binds a people together. It is a complex thing based on habit and acceptance of certain common values. It creates an atmosphere in which thousands of smaller organizations with opposing interests succeed in getting along together. It does this by the force of public opinion which makes dissent, or even doubt, subject to various kinds of ostracism.

Smaller social organizations functioning within the general national structure resemble, in so far as their purpose permits, the larger organizations. They must do so to main-

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The theoretical systems of government are only argumentative tools by which priests and scholars condemn heresy or else attack the established Church.

Back of every creed is a hierarchy of heroes or divinities whose imaginary personalities give meaning to those words. Without an emotional understanding of this hierarchy we cannot even guess the meaning the words will finally take, any more than those who wrote the due process clause in the Constitution, intending to give protection to those unjustly accused of crimes, could have guessed that it would be the principal protection of public utilities against public service regulation.

The study of the actual operation of the social creeds which give logical form and unity to our so-called systems of government is confused by the fact that it is hard for us not to think of them as guiding principles which we choose or reject. For example, a recent book, *In Defense of Capitalism*, by James H. R. Cromwell and Hugo E. Czerwonky, carries this statement on the jacket, which not only represents the attitude of the authors but also that of most conservative people today:

The insecurity and degradation of the American working masses is attributable, not to capitalism, but to ignorance concerning its functioning. The fact is that capitalism is an ideal which never has been achieved. Before discarding capitalism and economic freedom for a system of regimentation and rationing, we contend that the defects of our monetary organization should first be remedied and capitalism thereby given a fair chance to show what it can do.

In other words, from this point of view Capitalism is studied apart from the living organizations which profess it as a creed. If it is found to be good our troubles must come from a sinful refusal to follow Capitalism logically. If it is found

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though the emphasis may be different, they are discovered even in such minor affairs as Rotary clubs, women's clubs, or Boy Scout troops. The elements which all social organizations share in common may tentatively be described as follows:

1. A creed or a set of commonly accepted rituals, verbal or ceremonial, which has the effect of making each individual feel an integral part of the group and which makes the group appear as a single unit. This is a unifying force and is as mysterious as the law of gravitation. It is ordinarily called a psychological factor because it is impossible to think of our language and our conduct except in terms of separate physical and mental universes, in spite of the fact that we are beginning to realize that these two universes are not separate.
2. A set of attitudes which makes the creed effective by giving the individual prestige, or at least security, when he subordinates what are ordinarily called "selfish interests" to those of the group.
3. A set of institutional habits by means of which men are automatically able to work together without any process of conscious choice as to whether they will cooperate or not. It is, of course, difficult to separate attitudes and institutional habits from creeds, and yet it is convenient to do so because in our way of thinking it is a custom to regard a habit as a different kind of process from action based on conscious thought.
4. The mythological or historical tradition which proves that an institutional creed has been ordained by more than human forces. This mythology may take every conceivable form, depending on the culture. It may emphasize humanitarian values or nonhumanitarian values, warlike or peacetime diversities. However, although the emphasis may differ in different cultures, all the common human values will be found represented in some form or other, whether the or-

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tain a logical place within it. The smaller organizations in turn subdivide themselves in somewhat the same manner as the larger ones. A Rotary club or a national association of scholars follows the general national pattern of constitutional government. Indeed, a social organization may be compared to the organizations of physical energy described by scientists as "matter." The atom is a smaller solar system. In the same way one finds in all social organization, large and small, the same current taboos, political tricks, and *sub rosa* machines representing the conflicting ideals found in the national government. Smaller organizations in any culture follow the pattern of the larger ones. At the bottom (or at the top, depending upon which end of the telescope you are looking through) is the individual, who, in his own life, responds to the symbols and ideals of his government, the business organization which feeds him, and the social organizations which give him dignity. For example, at different periods of the same day the judge on the bench will successively take the rôles of a martinet, an easygoing man about town, a stern father, and a dreamy metaphysician, and probably belong to a series of organizations which offer him a platform upon which he may play each of these successive parts. He may even, in a spirit of adventure, play a criminal rôle for a time, visiting some low dive or searching release in some other disapproved activity supported by the so-called criminal elements. If he does not do this, he will play these parts vicariously by reading detective stories and attending melodramas in which the life of the criminal is pictured in more romantic aspects.

This being so, we shall attempt to analyze a few of the elements common to all social organizations, large and small, whatever their purpose. These elements obtain in more even balance in the larger national organizations compelled to represent all the aspects of human activity. Nevertheless, al-

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ganization be a primitive tribe or the New York Stock Exchange.

Granted these essentials, we find successful organizations. Without them, organization can be maintained only by force, and force cannot continue long because it is too exhausting. A number of individuals cannot be found successively to represent the hard-boiled qualities necessary for such organizations.

The separation of the psychological mechanics of institutions into these four elements is, of course, artificial. Each is an outgrowth of the other; attitudes create the necessity for words to describe or celebrate them; words induce new and different attitudes. Mythologies which support creeds are distinguished from institutional habits by no sharp definition. Society functions like an anthill. If we were compelled to plan each day how to get food into New York City and garbage out of it, we would be lost and the people would starve. This separation of the psychological forces in society into various elements helps us to think because it follows the customary ways of thinking about society and at the same time permits us to observe institutions from without rather than from within.

Institutional Creeds

Because words and ceremonies are our only methods of communication, everywhere we find that the creed is regarded as the cornerstone of social institutions. "In the beginning was the Word" is an idea which has been repeated over and over wherever language is used. In this way of thinking we are as primitive as the people of the Old Testament.

Therefore, the folklore of every people runs in something like this form. A long time ago, with the aid of some sacred and infallible force, certain exceptionally gifted forebears

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formulated a lot of principles which contained the fundamentals of social organization. Nations which, like the United States, trace their beginnings to some single event think that their principles were discovered all at one time. This circumstance gives them a *written* constitution. Nations like England, which do not claim any sudden birth, always find their principles in a whole series of historical events, and hence their "constitution" is unwritten. The English constitution is unwritten, not because of an absence of writing in England, but because sentimental associations of the English did not concentrate on any single event or document.

In this country we like to think that we decided to write down all our governmental principles in one document called the Constitution. Actually, the Constitution consists of thousands of documents written at various times. Yet since our origin as an independent nation centered around one historic event, we emphasize what was written at that time and call it a written constitution. This folklore has caused many naive books to be written on the advantages of a people getting together and deciding to write their constitution. Learned men who thought this was a better plan have often wondered why England did not decide to do it. The writer recalls a course in college in which one of the matters discussed was whether England had not made a mistake in not reducing her constitution to definite written form. In a similar way the myths of primitive governments may center either on a single event or on a series of events in which the actors are individuals of more than human capabilities.

In an age where Reason is God, constitutions or fundamental creeds are always supposed to be the result of rational thought on the part of our forebears. Thus Rousseau depicted a social contract by which men agreed to stop fighting because this seemed such an eminently reasonable hypothesis to a peace-loving man. In an age of mysticism the

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could violate the inevitable logical principles deduced by true reason, because to assume so would be to assume that God was unreasonable, which would be heresy.

The language of the Constitution is immaterial since it represents current myths and folklore rather than rules. Out of it are spun the contradictory ideals of governmental morality. For example, in 1937 we find the *American Bar Association Journal* editorially recommending that the letter of the Constitution be disregarded in a time of crisis. Referring to the President's Supreme Court proposal, the editor says:

If the proposed act violates the spirit of the Constitution and threatens the breakdown of an essential part of it, "constitutional morality" certainly forbids it. To act under such circumstances is simply to exercise a brute power. And the spirit is more important than the letter. As long as the spirit of the Constitution is followed, there will be small trouble about the letter, and the great instrument and guarantee of our liberties is safe. But when the letter is followed in disregard of the spirit, catastrophe may be near.

The beauty of this kind of argument is that it makes the Constitution very elastic indeed, so that it can be used on both sides of any moral question without the user being bothered with what the Constitution actually says. It is essential to constitutionalism as a vital creed that it be capable of being used in this way on both sides of any question, because it must be the creed of all groups in order to function as a unifying symbol. This way of thinking is essential to all governmental organizations. It is the method by which the organization can take pride in the superiority of its traditions. Pride in his early struggles and a clinging to traditions which have been handed to him by better men than he are deep seated within the psychology of the individual.

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tables are handed down from on high instead of being discovered by reason. In more primitive mysticism, which is usually in the form of a sign or a poem. However formulated, all these kinds of constitutions perform the same purpose. They furnish the limits beyond which controversy must not extend. Arguments may occur within the terms of the constitution, but to attack the constitution itself is heresy and calls down penalties which vary with the culture of the people from a mild ostracism to instant execution. In times of security popular opinion will always stand for more skepticism of fundamentals than in times of spiritual trouble, just as discipline in the army always relaxes in a comfortable post.

Having acquired a constitution through the intervention of exceptionally gifted men, the folklore of every nation then assumes that the people accepted it as truth and proceeded to live up to it. Dissenters are shown the light by the process of education. Whatever gaps were left by the physical inability of the forefathers to consider everything are filled by the learned men of the time, with material which they manufacture, not out of whole cloth but out of the principles of the original document. If this process is questioned it is always answered that the forefathers wanted the constitution to be a growing and not a static thing, and invariably some of them are found who said just that. If, however, a gap is left unfilled, it is always pointed out that a constitution cannot be one thing today and another tomorrow, and invariably there are found a number of great men who stated this with some vehemence in the past. Each argument is used alternately by the Supreme Court of the United States, but it should be kept in mind that we are talking here not about the United States Constitution but about every organizational creed. This type of thinking is particularly evident in the theology of 1850, when men spoke of the word above God. Not even God

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country were outlined in an informal conversation at Nurnberg Castle after a source close to the Fuehrer had predicted a decree to make effective his four-year plan for economic independence might be made public this week.

"I am convinced there must be competition to bring the best to the top," Hitler declared. "I could take over all business, but what would I have then—nothing but a bureaucracy."

Nationalization of German industry, Hitler predicted, would result in "workers and executives losing interest" in their jobs and "it would not be long before they would become mere jobholders expecting automatic advancement by seniority instead of initiative."

"Great improvement in manufacturing processes springs from keen rivalry between competitors," the Reichsfuehrer said.

"But does not Socialist economy presuppose restriction of private enterprise?" one of his listeners asked.

"Of course," Hitler replied, "wherever private interests clash with the interests of the nation the good of the community must come before profits to the individual."

"But that still leaves abundant room for private enterprise," the Chancellor declared.

The Fuehrer earlier had emphasized before a session of the National Socialist Convention that Germany is armed and ready to defend "the miracle of its own resurrection."

It is considered quite a sophisticated observation in these curious times to say that both political parties are exactly alike. Few, however, understand that the reason for this is that where the center of attention is abstractions rather than practical objectives all parties are bound to be alike. The creed of each must represent all the current conflicting ideals and phobias. Only minority parties which do not expect to get into power can write creeds without internal contradictions. Opposing parties which hope to win will necessarily worship the same gods even while they are denouncing each other because they are talking to actual voters and not to

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The notion that men obtain a creed, either through the exercise of pure reason or from some other superhuman power, is so firmly fixed in popular and scholarly thinking about government because it is the essence of all worship, and of all religion. Nothing is so destructive of social habits or of a mystical attitude which puts a divine character into physical objects as the questioning of the existence of some power or reason or mystic word, to which men can pray. Nothing disturbs the attitude of religious worship so much as a few practical observations. And yet that spiritual need is something which cannot be denied to any group of men, not even to scientists.

Illustrative of the search for the proper creed, we find the universally held idea that the reason nations have trouble is because of a sinful desertion of the right principles. Thus Germany sinfully worshiped false gods, quit searching for the proper principles, and got Hitler. The beauty of this argument, of course, is that Hitler himself is searching for truth and right just as feverishly as his opponents. The question, therefore, boils down to which of the two is sound.

Since most civilized cultures are astonishingly alike, logical analysis usually uncovers the fact that the creeds are alike. For example, as this is being written the greatest fear of conservative people is that we are establishing a bureaucracy like that of Germany. Hitler appears to be equally opposed to bureaucracy, as appears from the following interview (*Washington Star*, September 14, 1936):

Germany will guard jealously the principle of private enterprise in business, Chancellor Adolf Hitler asserted today.

The Nazi dictator denied that his plans for the future of the nation included mauling all industrial establishments under governmental control and declared:

"I will never permit bureaucratization of German industry." The Reichschancellor's views on the business future of his

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banner of the creed to make the institution effective have a slightly obscene appearance. Nice people do not want to discuss them, except for the purpose of getting rid of them.

We will not delay our exposition by attempting a definition of the distinction between what we have called attitudes and habits and what we have called creeds and mythologies. The writer as a lawyer has indulged too long in the vice of definition to have any illusions that it leads to understanding. If the words do not carry a picture of the kind of social phenomena referred to they are unfortunately chosen. However, they happen to be the best words which now come to mind.

The Mythology of Institutions

THE logical content of creeds never realistically describes the institutions to which the creeds are attached. Every phrase in the Constitution designed to protect the submerged individual has become an instrument for the protection of large organizations. There is not time to develop here this commonplace theme. To illustrate we use again the development of the due process clause because it has been referred to so frequently that it is familiar to everyone. Due process of law under the Fifth Amendment unquestionably referred to arbitrary criminal prosecution of individuals. The words are:

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

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some ideal society of the future. This is not something to complain about. It follows from the fact that every governmental creed must represent all the contradictory ideals of a people if it is to be accepted by them.

Institutional Attitudes and Habits

SINCE our chief concern in this volume is with ways of thinking about society, we will give little space to the social attitudes and habits which unify organizations. These two factors are easily understood in institutions where the creeds are admittedly ceremonial in character. Thus we understand the attitudes and habits which center around the Christmas celebration because the creed of Santa Claus is recognized to be pure drama. We therefore can talk about Santa Claus objectively without destroying his emotional value. With the recognition of the fact that church creeds are not searches for universal truth, we can understand better the function of churches in society. Preachers like Harry Emerson Fosdick preach realistically and effectively about the place that the Church can and should take in the community. Fosdick realizes that the creed is important only as a symbol of unity—and that the effectiveness of the Church must be judged by different standards from those of its theology.

In an institution where the creed is thought to represent truth and is supposed to describe what the organization does, as in government or law, the factors which we have described as habits and attitudes are generally ignored. Pathology gives way to mythology. When someone attempts to describe how such an institution works, he is called a "realist" or a "cynic" because he makes believers uncomfortable. Thus to describe how the law, or Capitalism, or the Supreme Court of the United States actually works is to appear to attack these symbols. The actual habits and attitudes which operate under the

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Today this amendment is one of the reasons why railroads are protected from a Federal pension system. Public control of business becomes the same as taking away property. Great national organizations become individuals. Only a short time ago nobody saw anything strange or out of the way in the change. Scholars in law schools proved that it was not a change at all and were generally believed.

It is therefore not the content of the governmental creed which molds institutions, but the imaginary personalities which make up the national mythology. Every culture has its hierarchy of divinities, like the ancient Greeks. This hierarchy is never recognized as a mythology during the period when it is most potent. It is only the myths of other peoples or other times that we label as myths. The power of any currently accepted mythology lies in the fact that its heroes are thought to have a real existence. There is always a large number of them because each mood and aspiration must be represented. Every institution tries to represent all of these heroes at once. Thus the American industrial organization is a hard-boiled trader, a scholar, a patron of modern architecture, a thrifty housewife, a philanthropist, a statesman preaching sound principles of government, a patriot, and a sentimental protector of widows and orphans at the same time. Let me designate the heroes of a nation and I care not who writes its constitution.

In the days of chivalry national heroes were princes of the Church or warriors seeking high adventure for a holy motive. These imaginary personalities gave form and logic to governmental structure. King Richard went to the Crusades in an unconscious response to the demand that the Government of England imitate its myths, just as the ruling class of every time unconsciously imitates the little ideal pictures to which it owes its prestige.

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In the United States the mythology used to be very simple. The predominant figure was the American Businessman. Warriors were respected, but they had a distinctly minor place. The National Government had to imitate the American Businessman. Whenever it failed, people became alarmed. A businessman balances his budget. Hence the unbalanced budget which was actually pulling us out of the depression was the source of greater alarm than administrative failures which were actually much more dangerous. The American Businessman bosses his employees. Hence the encouragement of the C.I.O. was thought to be the forerunner of a revolution, in spite of the fact that never had industrial unrest been followed with less actual disorder.

The creed of the American Businessman was celebrated in our institutions of learning. Since the American Scholar was a minor divinity, some of his characteristics had to be assumed by the great industrial organization. Therefore colleges were endowed to prove that the predominant divinity was supported by reason and scholarship. All the Christian virtues were also ascribed to him—for the selfishness of business was an enlightened selfishness which resulted in the long run in unselfish conduct if it were only let alone.

The American Businessman was independent of his fellows. No individual could rule him. Hence the "rule of law above men" was symbolized by the Constitution. This meant that the American Businessman was an individual who was free from the control of any other individual and owed allegiance only to the Constitution. However, he was the only individual entitled to this kind of freedom. His employees were subject to the arbitrary control of this divinity. Their only freedom consisted in the supposed opportunity of laborers to become American businessmen themselves.

It is this mythology, operating long after the American Businessman has disappeared as an independent individual,

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mythology is the national Devil. Our Devil is governmental interference. Thus we firmly believe in the inherent malevolence of government which interferes with business. Here are people who are not to be trusted—they are the bureaucrats, the petty tyrants, the destroyers of a rule of law. Organizations always tend to assume the characters given to them by popular mythology. Hence the government is no career for an up-and-coming young man. Governmental institutions are not to be trusted to hire their employees. We must control their inherent malevolence by Civil Service rules. Civil Service is a great protection for mediocrity and thus tends to make the government fit the bureaucratic preconceptions. Thus the powerful influence of the national hierarchy of gods moves institutions into patterns from which they cannot escape until the attitudes change.

Germany is a country which loves to wear uniforms. It is said that it is difficult to keep even German railway conductors from wearing out their uniforms at home. The national hero is a soldier. Therefore, no economic principles ever designed have prevented Germany from assuming the atmosphere of at best a military academy with a scholarly faculty, and at worst an armed camp.

How far nations can be induced to revise their mythologies is a psychological problem not unlike the problem of how to change the admiration and dislikes of the individual. The politician does not attempt to change the mythology. He works with it unscrupulously to get results. The trouble with him is not that his technique is bad but that his ends are not broad or humanitarian. Yet in our present medieval atmosphere it is his techniques which are condemned. His ends, in so far as they are selfish, are supposed to work for the greatest benefit of all in a free economic system.

Probably the only way in which mythologies actually change is through the rise to power of a new class whose

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which gives the great industrial organization an established place in our temporal government. Every demand on these great industrial structures is referred to the conception of the American Businessman as a standard.

Thus pension systems for great corporations are all right provided businessmen inaugurate them. Economic coercion is permitted provided these heroes accomplish it. Boondoggling of every kind is subject to no criticism if businessmen finance it. Charity and welfare work, provided they are used to portray businessmen in their softer and more sentimental moods, are lovely things. When undertaken by the Government, they are necessary evils because such activity impairs the dignity and prestige of our great national ideal type. The businessman is the only divinity supposed to conduct such affairs. Therefore one never hears a community chest spoken of as a necessary evil as the dole is. Private charity even in times when it is an obvious failure is supposed to be more efficient than government relief.

In this mythology are found the psychological motives for the decisions of courts, for the timidity of humanitarian action, for the worship of states rights and for the proof by scholars that the only sound way of thinking about government is a fiscal way of thinking. Move Communism or any other kind of creed into this country, keep the present national hierarchy of tutelary divinities, and one would soon find that the dialecticians and priests were ingenious enough to make communistic principles march the same way as the old ones. So long as the American Businessman maintains his present place in this mythological hierarchy, no practical inconvenience is too great to be sacrificed to do him honor—every humanitarian impulse which goes counter to the popular conception of how the businessman should act is soft and effeminate.

Coupled with the national heroes in every institutional

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traditional heroes are of a different mold. Nothing seems clearer than that the attitudes of any given ruling class are so set that all the arguments in the world will not change them.

This can be observed in revolutions of all kinds, peaceful as well as violent. A ruling class ceases to perform the functions necessary to distribute goods according to the demands of a people. A new class appears to satisfy those demands. At first it is looked down on. Gradually it accumulates a mythology and a creed. Finally all searchers for universal truth, all scholars, all priests (except, of course, unsound radicals), all educational institutions of standing, are found supporting that class and everyone feels that the search for legal and economic truth has reached a successful termination. We can observe the rise of a race of traders and money lenders against the system of law and economics of chivalry and feudalism which today looks incredibly romantic, but which then looked like the very bedrock of reality. No one would have dreamed in the Middle Ages that the despised creed of the trader and the money lender—a creed of selfishness and worship of the then lowest material values—should rise to be a compendium of everything most respectable in temporal affairs.

Today we can observe the rise of a class of engineers, salesmen, minor executives, and social workers—all engaged in actually running the country's temporal affairs. Current mythology puts them in the rôle of servants, not rulers. Social workers are given a subordinate rôle. For purposes of governmental policy their humanitarian ideas are positively dangerous, because they put consideration of actual efficiency in the distribution of goods above reverence for the independence and dignity of the businessman. It is as if a usurer attempted to sit at the table in social equality with the medieval baron to whom he was lending money.

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Nevertheless, it is this great class of employees, working for salaries, which distributes the goods of the world. Tradeters still are possessed of the symbols of power. The new class, however, has already shown signs of developing a creed of its own and a set of heroes. In our universities it is represented by a group of younger economists, political scientists, and lawyers. True, these men are often branded as unsound. Older universities look at their new economic thinking with suspicion, but its prestige grows with the prestige of the class of business and social technicians which it represents. Its mythology does not include the worship of the American Businessman. So far it is destructive only. On the positive side it is as yet undeveloped. However, one should remember that a fully developed creed and mythology are not found until the class which they support is securely in power. Adam Smith did not think up principles by which the merchant and manufacturer gained power. He supplied them with a philosophy after they had taken charge of the temporal government.

The creeds and mythologies of smaller institutions always follow the pattern of the larger ones. The writer found the transition from the life of a trial lawyer to that of a professor at the Yale School of Law a most interesting one. The academic life was different from practice in that the scholarly heroes were men who dug up little sections of truth for the love of it—a purely monastic ideal. Yet this mythology was tempered and molded by the great overshadowing divinity, the American Businessman. Yale was doing what it could to search for truth in the same organized efficient way in which the United States Steel Corporation made steel. There was therefore much about Yale in 1930 in common with the Rotary Club of Laramie, Wyoming, from which the writer hailed. "Service" was the watchword and the organized "project" was the crusade. In 1930 the Institute of Human

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for a type of organization controlled by voters. From this point of view men made two great discoveries in the art of government:

1. They discovered that it is immaterial whether democracy is morally beautiful or not. They recognized as a fact that it was more important that an institution keep in touch with the mass of its members than that it follow rational principles. The word "democracy" therefore came to represent the notion that political techniques which had nothing to do with rational principles were a necessary part of social control. This was first discovered in connection with the distribution of goods by large organizations. Advertising men used slogans rather than descriptions of their products. Politicians soon found the advantages of such techniques over either appeals to pure reason or the grosser forms of vote buying. Polls began to be taken on public questions—experts began to develop in the ascertaining of public attitudes. Principles and political platforms became more and more of a ceremony and less a matter of belief to those who wrote them.

2. They discovered that all sorts of symbols are necessary for the preservation of the political fact of democracy, many of which violate its creeds. The fact that political platforms were inconsistent with political action troubled people less and less.

This sort of political realism about democracy was brought home to us by the success of the dictatorships in Russia and Germany. In these countries the revolutionary governments undertook deliberately to arouse the intense enthusiasm of their peoples and to keep it at a high pitch. The method used was not rational; it was the rhythm of uniforms, salutes, marching feet, and national games. The strength of Hitler lay in the fact that he put everyone to work and managed to develop national pride. His weakness lay in his persecutions.

Such persecutions are not, I believe, necessary to the exer-

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Relations at Yale occupied the center of the stage, dedicated to proving that scholars could incorporate research and thereby gain the advantages of mass production. Dinners were held and speeches made in imitation of the annual dinner of a chamber of commerce. Had the large corporation retained its magic, perhaps the Institute of Human Relations might have maintained its prestige. However, scholarship, incorporated like a manufacturing plant, lost caste with the distrust of the great corporation during the depression. Therefore, at the Tercentenary at Harvard in 1936, we find scholars using the symbol of the Supreme Court of the United States rather than incorporated scholarship, because the Court at the time was a more important symbol of safety and security than the American business corporation.

The Change of "Democracy" from a Creed to a Political Fact

Curious enough, in all this holy war against Communism and Fascism to make the world safe for our prevailing divinity, we find very little spiritual conflict about the principles of democracy. Democracy was accepted as a political fact, not as something to be chosen or rejected. The democratic tradition had become recognized as a tradition and had ceased to be regarded as a set of guiding principles. All over the world, except perhaps in the Orient, there was a recognition that popular majorities were necessary for a successful government regardless of what the creed happened to be. A strange thing had happened to democracy as a creed. Few believed any more that it was a peculiarly sacred or divine thing. The "principles" of democracy were not worshiped as they once were, as fundamental truths. Everyone recognized the limitations of the average man—and few thought that these limitations disappeared in a group.

Democracy ceased being a creed. It simply became a name

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cise of national power or the development of national morale. The reason why they are apt to occur in times of change is that respectable people in such times are too devoted to principles to solve immediate problems or to build up morale by the objective use of ceremony. They are too obsessed with the principles of government by the people to know how it works.

This principle that national morale is more important than logic and that the present is more important than the future is little understood in an age when people who should know how to rule are lost in a search for universal truth. They constantly strive to ferret out the true principles of democracy and follow them logically. They think that "democracy" is a "form" of government which nations educated up to it consciously follow and discard at their peril. They think that it is another of those "systems" of government.

The old creed of democracy as our fathers knew it was a useful slogan to bind together those who rose to fill the gaps left by an incompetent aristocracy. It was a useful slogan to stir national pride in a people who had no ruling class. Like all creeds it was in no way descriptive. It borrowed the old symbols of aristocracy since it had to represent all the current conflicting ideals. Thus the lack of an ecclesiastical hierarchy was filled by the slogan, "The voice of the people is the voice of God." The gap left by the absence of an aristocracy was bridged by the constant reference to the people as "king." The common people and reference to the people as "king." The necessity to personify a ruler and invest him with divine power was filled in the personification of the people. Under these slogans a small ruling class developed in the United States.

The democratic creed of that ruling class, however, was full of so many hidden conflicts that it developed in America more *sub rosa* institutions than in any other Western nation.

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The "people" in this democracy were supposed to choose sound economic principles in preference to unsound ones like a scholargarchy. They were to reject unsound legal principles like a theocracy. In fact, the people were permitted to play every conceivable rôle that had marched in the pageant of history since the Roman Empire. Only one thing they were not permitted to do in public, and that was to think realistically about their government.

Therefore, our real government was conducted by non-respectable politicians. Exceptions there were, such as Jefferson and Roosevelt, who combined political technique with aristocratic background. Such men incurred the bitter enmity of their friends as traitors to their class. Actual political leaders in the peculiar democracy we established were generally of the type who theoretically should have been distrusted by the people, because they appealed to the emotions instead of reasoning analytically for the benefit of thinking men. Hence, when the people of New York City or Chicago sought real representation they were forced to choose organizations like Tammany Hall or the Thompson machine, since respectable people could not think politically. And choose them they did, in spite of the gloom of our editorial table-pounders at the refusal of the people to learn the lessons of history.

The only class which was permitted to think objectively about what it was doing without violating its own creed was big business. In this area both learned and popular philosophy proved that whatever mistakes business made canceled each other, that its greed was only a form of unselfishness, and that its corruption was only the work of an occasional emissary of Satan sent up from below to plague mankind.

Of course, the law and the economics which permitted this class to act practically allowed its members to be respectable and efficient at the same time. In this favorable atmosphere their natural organizing ability was not hampered by

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taboos. They developed a productive plant which was the marvel of the modern world. As a creed, democracy never even remotely resembled the actual democracy which existed in this country, but as a political fact it produced a spiritual government in Washington to represent its ideals and a temporal government in our industrial centers which gave scope for the productive energy of its people and which, at the same time, never lost their support, violated their taboos, or contradicted the mythology they had set up for themselves.

In our thinking about democracy we have dropped to a large extent the medieval atmosphere. We do not argue about it any more as we argue about a creed. We have ceased to write books describing how sacred it is. We realize that in its essence it means that an effective leader must maintain the morale as well as the discipline of his army. It has become for us a symbol which is not intellectually questioned and which at the same time may be practically used. Even respectable people today are acquiring skill in the use of political techniques. The effects are noticeable. A better class of political leaders is in charge of our political machines. Grosser and more unpleasant forms of political chicanery are not used to the same extent as in 1900. As men have gradually ceased to believe in the democratic slogans as truths, political techniques have become less the exclusive property of unscrupulous people.

Thus has democracy changed from a creed to a word describing a political fact—from a set of symbols which must be followed regardless of their practicality or convenience to a recognition that every institution must keep the faith and loyalty of its members, or perish. Today, when sophisticated men speak of democracy as the only workable method of government, they mean that a government which does not carry its people along with it emotionally, which depends on force, is insecure. They mean that it is better for a govern-

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ment to do foolish things which can have popular support than wise things which arouse people against it. They mean that if a man is not contented, material comforts will do him no good. They mean that the art of government consists in the technique of achieving willing popular acceptance; that what people *ought* to want is immaterial; that democratic government consists only in giving them what they *do* want; that progress in government can come only by improving the *wants* of the people through the technique of removing their prejudices; and, finally, that the removal of prejudice must come first or material and humanitarian progress, imposed by force, will fail. When we consider democracy as a political fact, we are no longer concerned with the question of whether it ought to be admired as a fine thing or condemned as a stupid thing.

Our thinking about symbols of money and credit seldom takes such a fact-minded point of view. Here we are caught in formulas which pretend to be universal truths. We believe in the capitalistic system, as we used to believe in democracy, not as a tool, but as a set of abstract principles to be followed. The systems of government over which we have our theological disputes are no longer monarchy, aristocracy, and democracy, but Capitalism, Communism, and Fascism. Capitalism is a good thing in the abstract. It has its following of learned men and philosophers. It is no more descriptive of social organization today than the theology of the monarchy was descriptive before the French Revolution. It is instead an arsenal of weapons to be used against new organizations, rising because of a compelling need, but hampered because they have as yet found no place in accepted institutional mythology. The terms Communism and Fascism are used to denounce these new organizations as breeders of heresy. The acceptance of the slogans of Capitalism as tools rather than as truths is still over the horizon.

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discourage the type known as government. Under the protection of this folklore the achievements of American business were remarkable. There was no questioning of myths which supported independent empires by those engaged in those enterprises. So-called private institutions like General Motors never lost their direction through philosophical debate. The pioneer efforts at industrial organization in this country had been wasteful beyond belief, but bold and confident.

With respect to political government, however, our superstitions had the opposite effect. They were not a cohesive force, but a destructive and disintegrating one. The pioneer efforts of the Government were timid, indecisive, and ineffective. When it became necessary for the Government to fill gaps in the national structure in which private business enterprise was an obvious failure, the myths and folklore of the time hampered practical organization at every turn. Men became more interested in planning the culture of the future—in saving posterity from the evils of dictatorship or bureaucracy, in preventing the American people from adopting Russian culture on the one hand, or German culture on the other—than in the day-to-day distribution of food, housing, and clothing to those who needed them. Mystical attacks on practical measures achieved an astonishing degree of success. Debaters and orators rose to the top in such an atmosphere and technicians twiddled their thumbs, unable to use their skills.

The operation of this legal and economic folklore which paralyzed organizations with the name "government" attached to them will make a fascinating study for the future historian. He will note a striking resemblance to the medieval myths which impeded medical knowledge for hundreds of years. He will observe men refusing benefits obviously to their practical advantage when tendered by the Government,

CHAPTER III

The Folklore of 1937

In which it is explained how the great sciences of law and economics and the little imaginary people who are supposed to be guided by these sciences affect the daily lives of those who make, distribute, and consume our goods.

THE folklore of 1937 was expressed principally by the literature of law and economics. Here were found elaborately framed the little pictures which men had of society as it ought to be. Of course, this literature was not called folklore. No one thought of sound principles of law or economics as a religion. They were considered as inescapable truths, as natural laws, as principles of justice, and as the only method of an ordered society. This is a characteristic of all vital folklore or religion.¹ The moment that folklore is recognized to be only folklore it ceases to have the effect of folklore. It descends to the place of poetry or fairy tales which affect us only in our romantic moments. For example, years ago Mr. Justice Cardozo pointed out that law was really literature. This is true. Yet if it were generally recognized to be true, the particular kind of literature known as law would not have the kind of influence it has today.

The effect of the peculiar folklore of 1937 was to encourage the type of organization known as industry or business and

¹ Polybius, writing about the Roman social order before the birth of Christ, observed:

"But it seems to me the most distinctive superiority of the Roman political and social order is to be found in the nature of their religious convictions; and I mean the very thing which other peoples look upon with reproach, as superstition. But it nevertheless maintains the cohesion of the Roman state." (Polybius, VI, 56.)

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lous. Trains would keep on running, but with a sinister change in the character of the service. Under government influence, it would become as unpleasant as the income taxes were unpleasant. And in the background was an even more nebulous fear. The Government would, under such conditions, have to take over the railroad, thus ushering in bureaucracy and regimentation. Trains would run, but there would be no pleasure in riding on them any more.

There was also the thought that investors would suffer. This was difficult to put into concrete terms because investors already had suffered. The railroad was bankrupt. Most of the gentlemen present had once owned stock, but had sold it before it had reached its present low. Of course, they wanted the stock to go up again, along with everything else, provided, of course, that the Government did not put it up by "artificial" means, which would be inflation.

The point was raised as to whether the Interstate Commerce Commission was right in believing that the road would actually be more prosperous under the lower rates. This possibility was dismissed as absurd. Government commissions were always theoretical. This was a tenet of pure faith about which one did not even argue.

In addition to faith, there were figures. One gentleman present had the statistical data on *why* the railroad would suffer. In order to take care of the increased traffic, new trains would have to be added, new brakemen and conductors hired, more money put into permanent equipment. All such expenditures would, of course, reflect advantageously on the economic life of New Haven, remove persons from relief rolls, stimulate the heavy goods industries, and so on. This, however, was argued to be unsound. Since it was done in violation of sound principle it would damage business confidence, and actually result in less capital goods expenditures, in spite of the fact that it appeared to the superficial observer

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because they violated current taboos. A few incidents will illustrate how men constantly sacrificed present advantage in order to avoid the future retribution supposed to result from the violation of these taboos.

In the spring of 1936 the writer heard a group of bankers, businessmen, lawyers, and professors, typical of the learned and conservative thinkers of the time, discussing a crisis in the affairs of the bankrupt New York, New Haven, and Hartford Railroad—once the backbone of New England, the support of its institutions and its worthy widows and orphans. They were expressing indignation that a bureaucratic Interstate Commerce Commission, operating from Washington, had decreed that passenger rates be cut almost in half. Every man there would directly benefit from the lower rate. None were stockholders. Yet all were convinced that the reduction in rate should be opposed by all conservative citizens and they were very unhappy about this new outrage committed by a government bent on destroying private business by interfering with the free judgment of its managers.

This sincere indignation and gloom had its roots not in selfishness nor the pursuit of the profit of the moment, but in pure idealism. These men, though they owned no stock, were willing to forego the advantage of lower fares to save the railroad from the consequences of economic sin. They took a long-range view and decided that in the nature of things the benefits of the lower rates would be only temporary, because they had been lowered in violation of the great principle that government should not interfere with business. Some sort of catastrophe was bound to result from such an action. The writer tried to get the picture of the impending catastrophe in clearer detail. Did the gentlemen think that, under the new rates, trains would stop running and maroon them in the City of Elms? It appeared that no one quite believed this. The collapse which they feared was more nebulous.

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and involved in prevailing taboos. As to the merits of the rate reduction from a practical point of view, neither the writer, nor any member of the group, knew anything. Yet such was the faith of these men in the formula they recited, that they felt that knowledge of details was completely unnecessary in having a positive and unchangeable opinion.

The way of thinking illustrated by the above incident is a stereotype. Its pattern is the same to whatever problems it is applied. It starts by reducing a situation, infinitely complicated by human and political factors, to a simple parable which illustrates fundamental and immutable principles. It ends by proving that the sacrifice of present advantage is necessary in order to protect everything we hold most dear. All such discussions end with arguments based on freedom, the home, tyranny, bureaucracy, and so on. All lead into a verbal crusade to protect our system of government. In this way certainty of opinion is possible for people who know nothing whatever about the actual situation. They feel they do not have to know the details. They know the principles.

Take another example. In 1937 a new device known as the "sit-down" strike was most effectively used against the General Motors Corporation. Here was a fascinating struggle to develop labor unity and leadership in this country, headed by a great organizer, John L. Lewis. As in all combat situations, both sides believed intensely in the morality and sacredness of their cause. A realist observing the struggle without the moral preconceptions of either of the opposing organizations might make a guess as to the final outcome of the labor movement. He would realize, however, that it was only a political guess and that a guess based on a search for the proper fundamental principles of how strikes "should" be conducted by right-thinking conservative strikers would have no validity whatever.

But here again editorial table-pounders in our most re-

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to be creating more. And besides, where was the money coming from? This worry was also somewhat astonishing, because it appeared that the railroad actually could obtain the necessary funds for the present needed improvements. However, the answer to that was that posterity would have to pay through the nose.

And so the discussion ended on a note of vague worry. No one was happy over the fact that he could travel cheaper. No one was pleased that employment would increase, or that the heavy industries would be stimulated by the reduction of rates. Out of pure mystical idealism, these men were opposing every selfish interest both of themselves and the community, because the scheme went counter to the folklore to which they were accustomed. And since it went counter to that folklore, the same fears resulted from every other current scheme which violated traditional attitudes, whether it was relief, housing, railroad rates, or the Securities Exchange Act. Anything which could be called governmental interference in business necessarily created bureaucracy, regimentation, inflation and put burdens on posterity.

All this discussion was backed by much learning and theory. Yet it was easy to see its emotional source. These men pictured the railroad corporation as a big man who had once been a personal friend of theirs. They were willing to undergo financial sacrifice in order to prevent injustice being done to that big man. The personality of the corporation was so real to them that it was impossible to analyze the concept into terms of selfish interest. Does one think of personal gain when a member of one's family is insulted? With that emotional beginning, the balance of the discussion flowed out of the learned myths of the time, and ended where all the economic arguments of the time ended, in a parade of future horrors. The thinking was as primitive and naïve as all such thinking must be when it is divorced from practical issues

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 respectable publications insisted that the real issue was whether, using the analogy of the sit-down strike, irresponsible men would not feel that they had the right to destroy our homes by conducting sit-down strikes in the parlors. Liberty, freedom, the home, were again at stake as they had been in the case of the New Haven rate cut. Nothing could have been more absurd than the suggestion that this great industrial struggle was in reality concerned with the right of individuals to undisturbed possession of their homes. Yet this was the position usually taken by most of the so-called "thinking" people who filed income-tax returns.

The great debate in 1937 over President Roosevelt's proposal to put more liberal judges on the Supreme Court of the United States offers another example of this way of thinking. There was, of course, every reason for those who opposed the extension of national power represented by Roosevelt's program, to cling to the Court as a last line of defense against a popular mandate. Here was a way of taking away from a great popular majority the fruits of their recent victory at the polls. Yet much of the opposition to the proposal came not from those who were opposed but from those in favor of the main outlines of the Roosevelt policies. They were actually afraid of the exercise of an admitted constitutional power to reform the attitude of the judiciary. The argument centered on the familiar symbols of regimentation, bureaucracy, freedom, and the home, which actually had as little to do with the issues involved as they had to do with the enforced reduction of rates on the New Haven Railroad.

We use as an illustration of this type of argument the issue of the *American Bar Association Journal* for April, 1937. In this issue eight distinguished and alarmed leaders of the bar and one editor made it abundantly clear that the proposal to increase the membership of that Court was fundamentally immoral. That being so, it followed that the wages of sin is

death. Grave peril of a somewhat unspecific character lay in wait for us. The nation was about to lose its immortal soul and become at best a bureaucracy, and at worst a tyranny. The whole issue was keyed to a note of warning of impending doom.

For example, President Stinchfield, who contributed the first article, told us that if we adopted the plan "we shall have government from Washington covering a territory of 130 million people." The superficial observer might have thought that this was one of the objectives for which the Civil War was fought and therefore had its good points. But President Stinchfield went on to say: "We must inevitably become a government by bureaucracy. . . ." Such mysterious matters, of course, could not be proved, but President Stinchfield's faith in the malevolence of Congress was such that he didn't think proof necessary. He said: "I think we are in great danger at the moment."

Mr. Olney, who followed Mr. Stinchfield, was also gloomy and sad about the remote future, through whose mists his prophetic vision penetrated without any difficulty. He was particularly worried because he was afraid that labor unions would disappear if the President's proposal was passed. He said that the measure would put them "at the mercy of a President and Congress who choose to pass a law forbidding the persuasion of men to join a union." This was a very odd thing to worry about just after the triumph of John L. Lewis. However, Mr. Olney explained how foolish it was for labor to be cheerful about the future right to organize. He said: "It is no answer to this to say that such a thing could not happen in this country. It has happened elsewhere in countries no less civilized than ours. It has happened in Germany and Italy."

Elsewhere in the article Mr. Olney pointed out that Germany and Italy were not the only countries we may come to

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resemble. We might also become like the South American republics, of whose judiciary Mr. Olney seemed to have a low opinion. The trouble with Germany, Italy, and the South American republics was that in their blindness they bowed down to the wrong principles, like the heathen. This, Mr. Olney thought, was hard on Germany, but it was a lucky break for us, because as a result labor and the underprivileged groups in this country could now see the dangers of getting what they want.

Mr. Olney's analysis made the complex conditions in Europe and South America simple and easy to understand and showed just why we are on the verge of becoming like these countries.

The next article was by Louis A. Lecher, a distinguished member of the Milwaukee Bar. It was evident that he had been thinking along the same lines as Mr. Olney. However, he was more specific. The Potato Act was, he thought, not only an unwise agricultural measure, but also a subtly concealed attack on human liberty.

George Wharton Pepper contributed an article in which he said of the President's proposal: "Here the question is not whether A or B shall be elected to political office but whether A and B shall be deprived of their guaranties of civil and religious liberty."

He saw in the plan danger to labor and the Jews and the Catholics and the schools, and pointed out that professors like the writer were foes of education within its own household, because they did not realize that the defeat of the plan was essential to academic freedom. He observed that "unless labor leaders, Jews, Catholics, educators and editors come to their senses before it is too late they will find themselves in an America which is anything but a land of the free."

Mr. Donovan then spoke. He analyzed the groups that were in imminent danger from the plan. They were religious

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groups, racial groups, citizens of foreign descent, labor unions, and persons charged with crime. All of these people would, in Mr. Donovan's opinion, be in a bad way if more justices were added to the Court under the plan.

These symbolic arguments were almost identical with the arguments in the preceding presidential campaign, because they were the automatic response to the same kind of irritation. This same pattern of argument always greets the struggle of any new organization to find a logical place among traditional institutions.

Let us go back to the Middle Ages for our final example of this way of thinking. In the seventeenth century the University of Paris, supported by an ancient learned tradition, with faculties of law, medicine, and theology, occupied a position in medicine not unlike the position of the Supreme Court of the United States in government today. It was the duty of these carefully chosen scholars to make a unified whole out of the learning of the time. They spent their lives studying those fundamental principles, the violation of which brings ruin. Their logic was as unassailable as the economic and legal logic of today. They had the same distrust of immediate practical advantage, the same fear of mysterious and impending moral disaster lying in wait to destroy the national character of a people who deserted fundamental principles to gain present ends. The medieval physician could see no profit in saving a man's body if thereby he lost his soul. Nor did he think that any temporary physical relief could ever be worth the violation of the fundamental principles of medicine.

The remedy for fever established by the learning of the time was the art of bleeding to rid the body of those noxious vapors and humors in the blood which were the root of the illness. Of course, patients sickened and died in the process, but they were dying for a medical principle, so it was thor-

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oughly worth-while. To depart from that principle would have the same effect on human health as the failure to shoot strikers occupying the plant of an industrial concern in a sit-down strike, or as the tampering with the Supreme Court of the United States has today on social well-being.

Magic had the same importance in the art of healing physical ills in the Middle Ages that it has today in the determination of governmental policy. Practical remedies, like sanitation, were not sufficiently mysterious to be respected. A people accustomed to living in filth had great faith in the curative properties of filth. There was more magic in disagreeable drugs than in pleasant ones, because disease was personified as an evil element that had to be attacked and driven away through some sort of combat in which pleasant remedies were a sign of weakness in the face of the enemy. The tactics in the war against disease bore a striking resemblance to the tactics in the modern war against social problems, in that the principles of medicine were much more sacred and important than the health of the patient.

Such were the attitudes of those learned in medicine in 1638 when the Jesuits in Peru discovered quinine. The cures which were accomplished by the use of this drug were marvelous, due in part to its own merit and in part to the fact that patients escaped the bleeding process. It was natural that such a radical departure from established precedent should be viewed with alarm. Therefore, it was not surprising that the University of Paris declared the use of quinine unconstitutional and banned the drug as dangerous.

The reasoning of the faculty was clear and persuasive. Since quinine did nothing to relieve the noxious vapors in the blood, immediate benefits must necessarily be an "artificial" cure or "panacea" which left the patient worse off than before in spite of his own temporary delusion that he felt better. The use of quinine was an attack on the whole funda-

mental theory of medicine, which had been carefully correlated with religion and theology. Certainly the temporary relief of a few sufferers could never be worth the overthrow of medical principles to the confusion of all the learning and experience of the past. They talked about it like this: "What is the emergency at present which should force the people to adopt the dictatorial rather than the democratic method for the solution of the very real constitutional problems which undoubtedly exist? There is none." (James Truslow Adams, "The Court Issue and Democracy," *New York Times Magazine*, February 21, 1937.)

However, it was more than a medical problem. It was a moral problem which affected the character, the freedom, and the homes of everyone. Fortunately, the unlearned people of the time, like those of today, were constantly forgetting the great moral issues of the future for the practical comfort of the moment. Hence the use of quinine eventually became common. The significant thing, however, was that it had to be introduced by a quack who concealed it in a curious compound of irrelevant substances.

In such an atmosphere there was at least a chance that a quack would be right; there was a certainty that a physician would be wrong. The Jesuits were considered by their enemies the most dangerous religious bureaucrats of the time, a fanatical group of zealots for whom the end always justified the means. They had made many people uncomfortable with their crusading. One could not adopt their remedies without adopting their principles any more than the United States today can develop national power without becoming like the Germans under Hitler. And so the dreaded specter of Jesuitism hung over the use of quinine, as Communism and Fascism hang over soil conservation and crop insurance today.

This way of thinking is as old as the desire of men to escape from the hard necessity of making practical judg-

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cine in 1937. Medical principles were not supposed to be a matter which was to be thought out, in the way governmental principles were thought out. The difference between the attitudes of medical sciences and physical sciences was very subtle, particularly since the political scientist of 1937 always *claimed* to be doing the same thing as the physical scientist. That difference therefore cannot be defined; it can only be illustrated.

Thirty years ago medical men were still fighting for principle, just as political men are fighting for it today. There were the homeopathic and the allopathic schools of medicine. The thinking man was supposed to choose between these two schools in hiring his physician. There was much public debate on their merits. Disciples of each school were supposed to stand together as a matter of party loyalty. They were the missionaries of a medical creed.

Today the public is no longer asked to choose between conflicting medical principles (at least not to the same extent). Medicine has been taken over by men of skill rather than men of principle. The medical sects, such as chiropractic, which still argues fundamental principle in the way the political scientist argues it, are unimportant. There is little left in medicine for thinking men to debate. Physicians are chosen on a guess as to their expertness. Hospitals no longer take sides. Therefore the concept of the "thinking man" is no longer essential.

In advertising the "thinking man" has gone so completely that a modern advertising agency would be amazed at the suggestion that the best way to sell goods is by making a rational appeal.

In government the concept still reigns supreme. Men are still asked to diagnose the ills of social organization through the darkened lenses of "schools" of legal or economic theory. They still worry about choosing a "system" of government.

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ments in the comfort and certainty of an appeal to priests. It controlled the thinking about the human body in the Middle Ages. It controls our thinking about the body politic today. Out of it have been spun our great legal and economic principles which have made our learning about government a search for universal truth rather than a set of observations about the techniques of human organization.

Medical Attitudes in Law and Economics

THIRTY years before and during the great depression in America, which were feudal in their economic organization, presented a spectacle of a continuous search for a set of rational formulas designed to enable men to govern with a minimum of exercise of judgment, and with a minimum of personal power. The historian of the future will be amazed at a great people's simple belief that sound legal and economic principles, discovered by close students of these mysteries, were the only means to national salvation. He will be equally amazed at the naïve fears that opportunistic action or judgment based not upon learning but on political expediency, whatever its temporary benefits, would necessarily lead to disaster if it did not fit into some preconceived theory. The history of the time is the story of men who struggled gallantly and unsuccessfully to make government correspond to this theory about it. It is intelligible only if we start out with a bird's-eye view of what men thought were the principles which made the social structure survive.

We have already analyzed the conception of the "thinking man" which was essential to all political debate. Without him, public discussion of rational principles and systems of government would have been impossible. He was the great spirit which hovered over all governmental institutions.

This particular type of folklore had ceased to affect medi-

CHAPTER VIII

The Personification of Corporation

IN which it is explained how great organizations can be treated as individuals, and the curious ceremonies which attend this way of thinking.

ONE of the essential and central notions which give our industrial feudalism logical symmetry is the personification of great industrial enterprise. The ideal that a great corporation is endowed with the rights and prerogatives of a free individual is as essential to the acceptance of corporate rule in temporal affairs as was the ideal of the divine right of kings in an earlier day. Its exemplification, as in the case of all vital ideals, has been accomplished by ceremony. Since it has been a central ideal in our industrial government, our judicial institutions have been particularly concerned with its celebration. Courts, under the mantle of the Constitution, have made a living thing out of this fiction. Men have come to believe that their own future liberties and dignity are tied up in the freedom of great industrial organizations from restraint, in much the same way that they thought their salvation in the future was dependent on their reverence and support of great ecclesiastical organizations in the Middle Ages. This ideal explains so many of our social habits, rituals, and institutions that it is necessary to examine it in some detail.

The origin of this way of thinking about organization is the result of a pioneer civilization in which the prevailing ideal was that of the freedom and dignity of the individual engaged in the accumulation of wealth. The independence of the free man from central authority was the slogan for

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Since socialism is the "utter negation" of the right of private property, "man is no more adapted to it than the barn fowl is to live in the water." Philanthropy or any other aid of the poor is a violation of the same laws of God and property. All attempts to "relieve the natural penalties of indolence and improvidence" bring about "unexpected and severe evil." The doctrine that the government should provide for the unemployed "is the most subversive of all social order." Even the claim of Ruskin that "all labours of like amounts should receive the same reward," means the suppression of "commercial law," which is "God's method." If labour and capital are free, as they are in the "order of nature undisturbed" under "the law of competition," then "the flow of each . . . toward an equilibrium, is as natural as that of waters of the ocean under gravitation." In reality, the labourer has no complaint against the competitive system. As Perry put it, employer and employee "come together of necessity into a relation of mutual dependence, which God has ordained, and which, though man may temporarily disturb it, he can never overthrow."

Here was the philosophy of the men who came later to dominate our large industrial organizations and also to work for them. There was nothing in that philosophy which justified far-flung industrial empires. Indeed, the great organization in which most men were employees, and a few at the top were dictators, was a contradiction of that philosophy. The great organization came in as a result of mechanical techniques which specialized the work of production so that men could not operate by themselves. Nothing could stop the progress of such organization, and therefore in order to tolerate it, men had to pretend that corporations were not individuals. When faced with the fact that they were not individuals, they did not seek to control, but denounced and tried to break them up into smaller organizations. Those

* The quotations in the above excerpts are selected from texts and articles current at Carleton College when Veblen was a student.

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which men fought and died. This free man was a trader, who got ahead by accumulating money. There was something very sacred in the nineteenth-century conception of this activity. In the 'seventies the most popular text in economics was one originally written by a clergyman, Bishop Francis Wayland, and revised in 1878 by A. L. Chapin, President of the Congregational College at Beloit. Joseph Dorfman, in his brilliant book on *Theorstein Veblen and His America*,¹ summarizes this philosophy of the holy character of the trader's function as follows:

1) "God has made man a creature of desires" and has established the material universe "with qualities and powers . . . for the gratification of those desires." Desire is this stimulus to production and invention. 2) To satisfy desires, to obtain pleasures, man must by "irksome" labour force "nature to yield her hidden resources." 3) *The exertion of labour establishes a right of PROPERTY in the fruits of labour*, and the "idea of exclusive possession is a necessary consequence." Originally the object belongs to the producer "by an intuitive conception of right, and the act of appropriation is as instinctive as the act of breathing." The right of property may be conceived as "a law of natural justice," as Bowen of Harvard put it, because "the producer would not put forth his force and ingenuity if others deprived him of their fruits." Thus is established 4) *"The Right of EXCHANGE."*

Here is the beginning of the religion of the essential dignity of an individual's accumulating wealth by trading which later became the mystical philosophy that put the corporate organization ahead of the governmental organization in prestige and power, by identifying it with the individual. Our fathers breathed this atmosphere in every day of their schooling. For a pointed summary of their attitude toward distribution of goods by so-called governmental organizations, we quote again from Mr. Dorfman's book.²

¹ pp. 24-25.

² p. 23.

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experiment. Men cheerfully accept the fact that some individuals are good and others bad. Therefore, since great industrial organizations were regarded as individuals, it was not expected that all of them would be good. Corporations could therefore violate any of the established taboos without creating any alarm about the "system" itself. Since individuals are supposed to do better if let alone, this symbolism freed industrial enterprise from regulation in the interest of furthering any current of a society composed of competing individuals, was transferred automatically to industrial organizations with nation-wide power and dictatorial forms of government.

This mythology gave the Government at Washington only a minor part to play in social organization. It created the illusion that we were living under a pioneer economy composed of self-sufficient men who were trading with each other. In that atmosphere the notion of Thomas Jefferson, that the best government was the one which interfered the least with individual activity, hampered any control of our industrial government by our political government. We were slower, therefore, in adopting the measures of control of industrial organization than a country like England. The Government at Washington gradually changed into what was essentially a spiritual government whose every action was designed to reconcile the conflict between myth and reality which men felt when a creed of individualism was applied to a highly organized industrial world. Government in Washington was supposed to act so as to instill "confidence" in great business organizations. The Supreme Court of the United States, because it could express better than any other institution the myth of the corporate personality, was able to hamper Federal powers to an extent which foreigners, not realizing the emotional power of the myth, could not

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who did not choose to dissent, however, sought refuge in transferring the symbolism of the individual to the great industrial armies in which they were soldiers.

It is a familiar social phenomenon to see the symbols of the habits of pioneer times transferred as a social philosophy to later institutions to prove that we still are following the examples of our fathers.

The trick of such social philosophies is to justify the hard lot of those who never attain any particular rank in society. Rugged individualism is a peculiarly American creed. Germany, with a strong military tradition, justifies an industrial civilization with a philosophy which has the flavor of military discipline, since the soldier has always been respected above the trader in Germany. Compare the mysticism of private property which we have quoted above with a recent Berlin dispatch, which reads as follows:

The discharge of the old contingent [from the German government labor battalion] was accompanied by a morning festival broadcast by all German radio stations, especially to the 1,300 labor-service camps. The festival was held under the motto, "Blessed be that which makes hard." This motto was repeated by the labor-service chorus, which chanted: "We thank the Führer for the hard life which he bestowed upon us in the labor service." From a Berlin dispatch to the *New York Times* (*New Republic*, June 2, 1937).

The essential military character of this prayer is as marked as the deification of the trader in the prayers recited by American organizations. It is of such stuff that the vital and living economic philosophy of a people is made.

It was this identification of great organizations with the dignities, freedom, and general ethics of the individual trader which relieved our federation of industrial empires from the hampering restrictions of theology which always prevent

understand. This court invented most of the ceremonies which kept the myth alive and preached about them in a most dramatic setting. It dressed huge corporations in the clothes of simple farmers and merchants and thus made attempts to regulate them appear as attacks on liberty and the home. So long as men instinctively thought of these great organizations as individuals, the emotional analogies of home and freedom and all the other trappings of "rugged individualism" became their most potent protection.

The extent to which freedom of restraint of great industrial government was dramatized as individual freedom is illustrated by the fact that it was possible for John W. Davis, as late as 1936, to rouse his audience to a high pitch of indignation against an act regulating holding companies by speaking as follows:

There is something in this act that arouses me far beyond the scope and tenor of the act itself. In one respect it is unique in the history of our legislation; in one respect it constitutes the gravest threat to the liberties of American citizens that has emanated from the halls of Congress in my lifetime. That is strong language. But I mean to make it so. (*New York Times*, August 26, 1936.)

It was the personification of the corporation as an individual which gave moving force to such remarks, which otherwise would seem almost incredible. Anyone who actually struggled for the liberties of actual individuals, rather than idealized ones, was greeted with the hostility that greets anyone who tears the veil away from a great symbol. Thus Felix Frankfurter of Harvard, fighting for Mooney and for Sacco and Vanzetti, was a distinct handicap on the endowment drive of that great institution. Roger Baldwin, head of the Civil Liberties Union, served a term in jail and was always regarded as a suspicious character. This is not surpris-

ing, nor should the observer become indignant about it. It is simply an illustration of how the personification of the great corporation actually worked to monopolize completely the mantle of protection designed for the individual. The Civil Liberties Union thus contained less respectable people than the American Liberty League.

The mantle of protection which this attitude threw over corporate government is illustrated in the popular reaction to the sit-down strike when it was first used as a weapon against General Motors Corporation by John L. Lewis. So firmly fixed in popular imagination was the belief that General Motors was a big man who "owned" the plant that the public became alarmed over possible dangers to their own homes because of this method of conducting a strike. Many sincerely felt that this insult to the sanctity of property justified the shedding of blood and that Governor Murphy's conciliation of the General Motors strike in 1937 was a compromise with the Devil that endangered individual freedom. If General Motors had been pictured as a governing organization, exercising the governing power over thousands of people, the right of these people to security in their jobs might have been recognized as on somewhat the same level as the rights of security holders in the corporation. The concept of the "ownership" of General Motors prevented that attitude from developing. The sit-down strike, though much more orderly than the strikes in past depressions had been, actually gave the impression of greater disorder and anarchy because it could be dramatized as the taking away of property from an individual. This kind of dramatization was, of course, more keenly felt by the respectable people than by the master, with whom the personification of the corporation as an individual was disappearing. For example, a temperate and impartial analysis of the principles of labor law by Dean Landis of the Harvard Law School in 1937 during the initial

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activities of the C.I.O. provoked outspoken hostility among the alumni of that great institution.

This entire volume could be filled with the queer effects of the personification of industrial enterprises in mixing ceremony with the production and distribution of goods. Control of great organizations drifted out of the hands of those who knew the techniques of the business and into the hands of bankers. Stock manipulation became more important in control than efficiency of production. Organizations competed with each other in building magnificent structures for pure show and in order to gain dignity and prestige in the company of their peers. Great law offices grew up in New York to supply the infinitely complicated logic needed to keep the separate individuality of parent and subsidiary or affiliate corporations apart. Theological disputes produced a great literature as to what the "real nature" of a corporation was which was assiduously studied in law schools.

A similar complication of philosophy and dialectic attended the ceremonies of chivalry when the institutions which this mythology once described so vividly were disappearing. Such things are familiar in times of social change.

When the actual world is not at variance with men's belief, it is unnecessary to write or think much about it. People are not troubled by doubt in such times; therefore doctrine is not needed. When symbols or beliefs have no relation to what men see before them, regularity of doctrine becomes of paramount importance. Since observations in such a situation create only paralyzing doubt, men must drown their observations in doctrine and philosophy. Therefore, ceremonies grow in number and mystical literature increases by leaps and bounds, becoming more and more abstract as it grows. That this has happened to economic theory is obvious. The reasons why it has happened lie in the fact that where the fiscal religion becomes completely unresponsive of what

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is going on, ceremony is the only way of giving force to the creed.

This symbolism made practical legislation legalistic and complicated so that it would not contradict fixed beliefs. For example, the Social Security Act was drawn to resemble an insurance corporation, because insurance corporations were supposed to be very pious and respectable individuals indeed. The Government put money in a huge reserve. This reserve had to be invested in its own bonds and therefore had no meaning whatever, except to make social security legislation look like an old-line insurance company. In other enterprises the Government found that by adopting the device of a government corporation it gave its activities a little of the freedom which was enjoyed by private corporations and escaped the rules and principles which hampered action when it was done by a government department instead of a government corporation. In other words, it gave the Government some of the robes of the individual.

There seemed no limit to the size of these industrial empires masquerading as individuals. Laws against monopoly and restraint of trade were easily evaded in the fairytale where men pretended that organizations were men who owned property. Nothing in the Middle Ages compares for sheer fantasy with the holding company, or with modern security manipulation by which control of large organizations may be obtained without investment risk. Equally fantastic was the notion that a corporation had the rights of a citizen of the state which incorporated it. This permitted the use of the sacred doctrine of states rights to hamper regulation of industrial empires which had no connection with any particular state.

Organizations which exercise governing powers of a permanent character do not maintain their power by force. Force is entirely too exhausting. They do it by identifying

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themselves with the faiths and loyalties of the people. Therefore, the picture which people see of a society is always in terms of these faiths and loyalties. They do not examine anything, however obvious, which contradicts those faiths. Few educated men who opposed the holding-company bill could actually describe the structure of any of our great holding companies, but this did not interfere with their belief that an attack on that form of corporate structure was an attack on individualism.

In the brief filed by the Government in the Electric Bond and Share case⁴ a typical holding company is described as follows:

In the United States the Bond and Share system embraces utility properties in no fewer than 22 states, from Pennsylvania to Oregon and from Minnesota to Florida. The system serves 2,487,500 electric customers, 10 percent of the total electric customers of the United States, deriving therefrom in a year \$214,600,000 in revenues. This exceeds the annual income of any state in the United States, with the exception of New York (*Financial Statistics of State and Local Governments* [1932], p. 10, compiled by the United States Department of Commerce, Bureau of Statistics). In 1934, 85 billion kwh of electric energy were generated in the United States. Of this amount the Bond and Share system generated 11.8 billion kwh, or approximately 14 percent, and handled 14½ billion kwh, or 17 percent. The system owns 23,460 miles of transmission lines (i.e., lines of more than 40,000 volts), or 30.2 percent of the total miles of transmission lines in the United States.

⁴ *Securities and Exchange Commission v. Electric Bond and Share Co.*, 18 Fed. Sup. 131; brief for the Government prepared by John I. Burns, General Counsel, Securities and Exchange Commission; Robert H. Jackson, Assistant Attorney General and Special Counsel, Securities and Exchange Commission; John J. Abe, Special Counsel, Securities and Exchange Commission; Benjamin V. Cohen, Special Assistant to the Attorney General; Thomas G. Corcoran, Special Assistant to the Attorney General; and others.

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These gigantic gas and electric utility enterprises over which the Bond and Share companies hold sway represent tremendous aggregations of capital belonging to investors throughout the world. Of the huge investment in these enterprises, seventy-five to eighty percent is represented by the senior securities of operating companies, purchased for the most part by the investing public. The interest of Bond and Share or its intermediate holding companies in these operating companies (as represented by their common stock holdings) usually did not exceed 25 percent of the total stated capitalizations of the operating companies. When these capitalizations reflected, as they nearly always did, ledger values substantially in excess of the cash paid into the operating companies or the original cost of the properties to their predecessor companies, Bond and Share's real equity in these properties became even smaller, and the public's larger. Write-ups in the capital accounts of the operating companies, in other words, served as the book basis for the securities issued. . . . It is a fair conclusion, even though possibly not susceptible of exact proof, that in light of the write-up policies pursued by Bond and Share, the common stocks of its operating companies, which its intermediate companies hold, represent substantially less than 20 percent of their *bona fide* capitalization. The real owners of the operating properties in the Bond and Share system are not Bond and Share (which owns, in its intermediate holding companies, only a minority interest sufficient for control); nor are the real owners the intermediate holding companies which own substantially all of the common stock of the subsidiary companies. The real owners are the senior-security holders of the operating companies. It is they who have contributed substantially more than three-fourths of the capital. Yet they have been deprived of any real representation in the management of their properties, and for them Bond and Share has no mandate to speak.

A holding company is distinguished from an investment company by the control it is in a position to exercise over its subsidiaries. In the complicated field of corporate finance, that control may be exercised in many ways, sometimes loosely and some-

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times rigidly, sometimes openly and sometimes covertly. Where voting stock is widely distributed, actual control may be exercised by a very small percentage of common stock, yet a large minority interest may be unable to exercise control if a still larger interest is possessed by another organized group. It is relatively easy for a company charged with controlling another company to prove that it in fact exercises no control, but it is extremely difficult for an outside agency, which must draw its facts from unwilling witnesses, to assume the burden of proving actual control. The use of voting trusts and of agents and nominees with undisclosed principals may conceal the real source of control

The dealings between Bond and Share and the serviced companies are conducted on an informal basis. Not only are its recommendations normally and usually followed, but when a request is made by a serviced company for a particular service, that request is frequently as not originates in a suggestion of Bond and Share's representative. So unified and harmonious has been the Bond and Share plan of management that the serviced companies and Bond and Share in dealings with each other, employ the same New York law firm. And the serviced companies have never had occasion to employ legal representation separate from that offered by Bond and Share or Bond and Share's New York counsel. The Bond and Share group has always been one happy family.⁹

And, finally, the personal control of the holding company which controls all those companies is in itself a minority operating without any formal violation of the competitive ideals which accompany a fiscal way of thinking—just as a great central organization at Rome, which was no longer military, operated under the folklore that every Roman was a soldier.

The main purpose of the fiscal symbolism in this country as it existed after the World War was to preserve the inde-

⁹ pp. 47-48, 50-51, 62-64, 96-97

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pendence of the great organizations which controlled the production and distribution of goods. It supported the notions that to manage the currency and credit of great organizations led to inflation and repudiation of debts, stifled individual initiative, destroyed the home of the poor man, turned his future security over to wicked politicians, compelled regimentation, and ended in dictatorship. In such an atmosphere the Supreme Court of the United States in declaring unconstitutional the minimum wage law for women emphasized the idea that it interfered with the freedom of women, rather than the fact that it protected large organizations from added expense.

The proof of these propositions could be made by either legal or economic learning. The arguments often appeared nonsensical, but it should be remembered that for the purpose of binding organizations together nothing makes as much sense as nonsense, and hence nonsense always wins. If the reader does not believe this, let him substitute for an impressive and moving ritual in any organization to which he belongs, a series of factual and practical observations. If he does, he will see the organization crumbling for lack of the emotional drive which comes only from ceremony. Tears and parades, not factual psychological discussion, are the moving forces of the world in which we happen to live; and this is true even for psychologists.

Thus we find a great deal of literature along the general lines of the following, which we quote from President Hopkins of Dartmouth College. President Hopkins is speaking of the probable effects on national character if men look to governmental organization instead of to industrial organizations for support in a temporal world.

¹⁰ *Morhead v. Tipaldo*, 298 U.S. 587, reversed in *West Coast Hotel Co. v. Parrish*, 300 U.S. 379, after Roosevelt had proposed his famous plan to rejuvenate the Court.

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Initiative, courage, hardihood, frugality, and aspiration for self-betterment are to be penalized, and the fruits of these are to be taken from those who have undergone self-sacrifice to attain them and bestowed upon those who have never developed the qualities to possess themselves of rewards. . . . The necessity for struggle, by which men have developed strength, and the discipline of hardship, through which they have achieved greatness of mind and heart and soul, are to be replaced by a specious security.

But it is the effect of the New Deal on the imagination and aspiration of youth that I most dread. I am desperately afraid of it because it teaches young men and women to unlearn the lessons of America which school and college have striven so earnestly to teach. It encourages weakness and penalizes strength. It diffuses throughout the masses of our people the spirit of acquiescence which it condemns in groups of them. It punishes accomplishment and persecutes individuals and industrial enterprises alike simply on the basis of the magnitude of their achievement without regard to the social value of the imaginative and creative talent which brought them into being. (*Atlantic Monthly*, October, 1936.)

The periodical literature of the time was full of these forebodings. Walter Lippmann led the crusade for the individualism of corporate enterprises, which meant that men should not become dependent upon that kind of organization which admitted it had public functions to perform. These people did not think of the dependence of men upon great industrial organizations as interfering with individualism. If the decreasing independence of actual individuals was called to their attention, they insulated themselves against this obvious fact by pointing to a complicated literature of economics and law. The fact that every individual in the country had become absolutely dependent on great organizations, including the student body and the professors of Dart-

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mouth College, did not disturb President Hopkins so long as the organization was not called the Government, and therefore did not disturb the smooth process of accustomed ritual.

Yet from the short quotation set out above, it is easy to see that President Hopkins was worried by facts which were making current mythology less and less tenable. Hence he felt called upon, in his capacity as educator, to do what he could about dictating the social philosophy of the future by pointing out the danger of deserting the old-time religion. It is a phenomenon which will be found repeated over and over again in every era.

As the symbolism got farther and farther from reality, it required more and more ceremony to keep it up. The business corporation built more elaborate cathedrals and endowed greater colleges to keep its theology moving along the right lines. This, of course, was an unconscious process, just as the great era of cathedral building in the thirteenth century was unplanned. It was these influences which created a separate science of economics, designed to prove that it was not organizations but principles which were operating in the field of the production and distribution of goods. Of course, it seemed important to these economists just what principles they thought up and advocated. Actually, however, the only important thing was the little pictures in the back of the head of the ordinary man. So long as they existed the great organization was secure in its freedom and independence.

In this situation people described difficulties in which organizations found themselves solely in terms of individuals competing for money and became, as a result, extraordinarily mixed up in their diagnosis. Instead of guessing on the strength and stability of the organization as one guesses on the future of a political machine, they made their predictions

on the basis of a system of bookkeeping which pretended that claims against organizations were tangible private property having a money value set by the laws of supply and demand.

Hence, in estimating what organizations could or could not do, people talked only about whether the organization could "make money." This method of thinking, of course, prevented the governmental organization from doing anything in the distribution of goods. The Government could not "make money" since it was not supposed to be actuated by the profit motive. Hence it could not efficiently engage in the distribution of goods. Therefore, we could not "afford" to have the Government maintain our supply of skilled labor during the depression or preserve our resources, because the Government did not "own" the labor or resources. For this reason it could not "spend money" on such things without going bankrupt—just as an individual could not spend money on his neighbor's property without going bankrupt.

Guesses made by experts on these assumptions were almost invariably wrong. An amusing book during the depression entitled *Oh Yeah!*¹ collected the predictions of the most prominent financiers, monetary experts, and economists and created uproarious laughter, so absurd did these predictions appear in the light of what followed. Guesses on the future of particular industrial organizations were not much better. It was easy to prove that if a man followed expert market advice he would consistently lose money. The best predictions came from men who were not using current fiscal symbols but who were thinking in terms of organization. Floyd Odium of the Atlas Corporation rose to a position of immense financial power by engaging in financial undertakings at the time when most experts had determined that financing was unsafe because of the Securities Exchange Act and other

¹ By Edward Angly (Viking Press, 1931).

governmental interferences with business. He was successful because he thought in terms of control of great industrial armies.

In the current mythology a group of individuals were supposed to be competing with each other in an effort to produce wealth and exchange it for a vague thing called capital. Capital theoretically consisted of ownership of every sort of useful productive property. But private ownership of this kind of property disappeared with the great organizations. By a gradual transference capital came to mean the ability to control bank credits, which had no particular relationship to productive property. Control of bank credits came more and more into the hands of those who controlled the banks. If a corporation could get a respectable bank to say that its property (the habits and disciplines of its organization) was worth a given amount of money, it became automatically possessed of that sum because it could get the bank to tell the public that its shares were worth that money. From 1920 to 1930 capital began to be the money value which respectable banks would put on the hopes of an enterprise. Financial institutions began to rely on an institution called the stock exchange to create capital for them. They went through a process called "floating" loans or stock issues. This consisted in creating a market for engraved pieces of paper so that they were almost as readily exchangeable as currency.

A new philosophy called "liquidity" sprang into being. The idea was that capital goods could be made almost like currency. Material wealth was supposed to be back of the pieces of paper, just as gold was supposed to be back of the government issues of currency. It was, of course, realized that if very many people tried to cash in on these pieces of paper, they would lose their exchange value, but it was supposed that this would not happen. Material wealth behind these pieces of paper gradually included all sorts of intangible

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South where labor was still cheaper. This enriched a few trust companies in Boston but left whole communities impoverished. Nevertheless, under the creed of rugged individualism, primitive-minded conservatives of New England fought to the bitter end to preserve this manner of doing things.

The relationship of governmental organization to industrial wreckage of this sort was entirely confused. Necessity compelled government action; theory denied it. In a certain town in New York prior to the depression a large factory was growing larger. Homes had to be built for new workmen. Water, lights, and paving had to service these homes. Pressure was put on the municipality to service new additions. Municipal expenditures went up to supply factory labor with a place in which to live. Everyone was happy since it was a "growing town." Workmen were paying for their homes.

When the depression came these workmen were discharged. They could no longer pay taxes. The burden on the balance of the community became greater. Not only did the municipality have to keep up the additional expense, but thousands were thrown on relief. The situation became so bad that the Federal Government had to finance relief. Thereupon the manufacturing plant threw all its political force into an attempt to make the Government reduce the level of subsistence of the men as much as possible, so as to balance the national budget and not put false ideas in the heads of the workmen. The efficiency of private charity, as compared with government interference, was made the subject of all industrial sermons. Unemployed were relentlessly persecuted on moral grounds, in spite of the fact that there were plenty of material goods to feed and clothe them. It was thought sound economics to reduce them to the lowest level

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things, such as "good will" which had been obtained by advertising campaigns and "going concern value."

Gradually the process of "capitalizing earning capacity" grew to be the rule. This meant that a share in an organization was worth any amount on which the earnings would be a reasonable rate of interest. This meant that the organization itself was the "wealth" or the "property." The law was not slow in following this make-believe and the circle was complete. Physical property came to be an unimportant element of capital. Values were based on what organizations could be expected to pay each year.

Curiously enough in this reification of organization as a form of property, the value of skilled labor as an asset received no legal and very little economic recognition. It was possible for corporate organizations to spend money to keep their physical plant in repair during times of idleness. However, it was not possible to educate or maintain skilled labor for future use. Bonds could be floated on hopes that organizations of executives would earn dividends in the future. No matter how ridiculous those hopes were, the public always bought. But a reservoir of skilled labor could not be capitalized. Labor organizations could not incorporate and raise money on their probable future earnings. This was not because the future earnings of labor were less speculative. Nothing could have been more absurd than at least half of the investments in industrial concerns. It was because nothing in the fiscal symbols of the time provided any mystical place for such an organization.

This folklore which denied that labor had a moral claim on an industrial organization produced most interesting results. The textile industry in New England had a supply of docile labor which it exploited for years. Then it took the so-called "capital" thus accumulated and invested it in the

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On one occasion only could the Government step into the temporal world of corporate organization and that was in time of war. Then all questions of where the money was coming from disappeared. Then the great corporate personalities were supposed to subordinate their rights to a greater cause.

This book is not concerned with the unsolvable problem of whether America would have progressed faster or slower under some other set of myths. It does not attack the use of the corporate personality in folklore. The results have been the creation of one of the greatest productive machines that the world has ever known, and this perhaps is justification enough if anyone is interested in justifying what has happened. This book is concerned only with diagnosing the present difficulties which have come upon us now that the industrial feudalism is no longer protecting large groups of our citizens who demand security, and with trying to explain the ideological difficulties which prevent the creating of organizations which will give that protection. We cannot be practical about social problems if we are under the illusion that we can solve them without complying with the taboos and customs of the tribe. The corporate personality is part of our present religion. We must continue to refer to corporations as individuals in public discourse so long as the words have emotional relevance. Since, however, we must use the words and ceremonies, it becomes important that we be able to use them intelligently. It becomes necessary, therefore, to analyze a few of the principal rituals connected with the personification of corporate organization which are generally completely misunderstood.

The two most important ceremonies which have dramatized the rugged individualism of business organizations are those which surround the antitrust laws and the reorganization of insolvent corporations. The one is useful in times of

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of subsistence and make the taking of that pittance as humiliating as possible. Every move the Government made was accompanied by hostile oratory and blind irritation.

This was not done by ill-will. It was simply the result of thinking in terms of a fiscal fairyland in which industrial organizations were individuals and government was supposed to protect their property.

Since corporate property had come to mean the right of an organization to distribute goods, the Government could not engage in such distribution without damaging the whole structure. Government itself could not be efficient because it did not operate for profit, which was an essential element of efficiency. If a man did not work for profit, he became bureaucratic, unless he happened to be a minister of the gospel, a professor, or perhaps a scientist. Hence, government clerks could not fail to be bureaucratic. This extended down to the lowest governmental units. Municipal light plants were bad in principle.

Even charity could not be administered by the Government because the Government would not know where to stop. Needy and unemployed people would get the idea that the world owed them a living. This was supposed to ruin their characters. Thus in the great drought which occurred in the Southwest at the end of President Hoover's administration, money could be raised for the farmers only by the Red Cross. Government money could go only for crop loans, which was not thought to be such a dangerous use of the funds and would not have such a bad effect on the character of the farmers.

In any event, the fact that government organization could not be put to practical use was tied up to character, the home, religion, law, and the science of economics. Any counterproposal was some form of Socialism, which led to both bankruptcy and bureaucracy.

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prosperity. The other is called on in times of adversity. Both are designed to perpetuate the illusion that it is men, and not organizations, with whom the Government at Washington is dealing. We will consider them in the next chapter.