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The Ethics of Labour-Management Relations

Goetz Anthony Briefs

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Article abstract

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With the advent of liberalism as a world view, the integral philosophy of man and society and, therewith, integral ethics lost their hold on the Western World. They gave way to a relativistic interpretation of the world and a corresponding pluralism in ethics. One expression of this is 'business ethics'.

"Business Ethics": An Interpretation [1]

The term "business ethics" may mean two things. First, the application of universal ethical principles and moral standards to economic relations in general and to business in particular. Secondly, a particular set of rules for which exclusive validity is claimed in business and in economic relations — the presumption being that business is an autonomous sphere subject to specific ethical laws.

Business ethics in the second meaning of the term is of comparatively recent origins. As Max Weber and R. H. Tawney have shown, it appears with the rise of a secularist individualism grown from an originally sectarian root. Over a period of time, this individualism developed a social philosophy and ethics

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(1) Headings are the Editor's.

of self-interest and competition, which were held to be the constituent principles of a 'business system'.

Under the impact of these new ethics and social philosophy, the integral society of by-gone ages and its community ethics underwent a process of erosion. Authority and hierarchic order were denied; justice was recognized no longer as the basis of political and economic life. Corporate organizations of old, with their functions and responsibilities, lost their meaning; and so did the notion of the common good, to which all partial goods are subordinated.

The free enterprise of society was conceived as a mechanism operating under individual self-determination, self-liability and self-interest, and kept in balance by competition. Supply and demand determined prices and incomes; thus determined, they were not only rational but also somehow 'just'. Hence there was no need for standards of justice extraneous to the judgment of the market; and, of course, there was no space for considerations of the human element, let alone charity and social obligations. The welfare of business was supposed to be the guarantee of all, which was simply the numerical sum of individual welfares.

In a world so conceived and ordained, the economic relations were relations *as among aliens*. The phrases 'business is business', "Les affaires sont les affaires" (paraphrased in Zola's L'Argent as: "Les affaires, c'est l'argent des autres") meant precisely this — that as you engage in business your discard all standards that do not conform to business. If you do not, you will be a failure; worse, by your incrongruous behaviour, you will disturb the fine self-adjusting mechanism of the business world.

Alien Ethics

The notion and reality of alien ethics requires our attention. Alien ethics is a norm of behaviour towards those who do 'not belong to our community'. The alien may appear in four types. First, he may be the respected alien, who, coming from far-away lands, is a messenger of the gods or brings interesting tidings: the *Xenos* of the Homeric Saga; therefore he is then well received. Secondly, the alien may be the stranger, against whom distrust is advised until he has proved himself honest and acceptable.

Thirdly, the alien may be the one who disturbs 'our' community and its standards; he is, in a way, 'subversive', standing as he does for a strange way of thinking and living, which is likely to be incompatible with 'our' standards. Thus looked upon, he is worse than a mere alien; enmity is aroused against him, and the ethics applied to him will be those which regulate "relations with an enemy". Fourthly, the alien may be just anybody towards whom one feels neither obligation nor responsibility. He is taken impersonnally. Mutual relations, if any, will be exclusively such as are based on the respective interests of either party. As a rule, the mode of dealing with this type of alien is the *contract*.

Alienness, in this sense, is a relative concept; it always presupposes reference to a community to which one does or does not belong. It may run through all spheres of life; in one or the other sphere persons are always or occasionally mutually aliens. Brothers may behave towards each other like aliens when they start 'talking business'.

Alienness in the fourth meaning of the term is the categorical form of human relations in a business economy. One entrepreneur sees in any other entrepreneur, when it comes to 'business', an alien; to him the consumer is an alien, and so is the worker — and vice versa. The world of business is a competitive world; and therefore the ethos prevailing in it is the ethos of relations among aliens. The more 'business' is determining the reality and values of a society, the more they are permeated by alienation. This is ensured by self-interest as the guiding rule and competition as the basic idiom of relationships. Two ways of behaviour are incongruous with this world: the ethics of a more than commutative justice and charity on the one hand, and meta-economic power positions on the other.

"Business Ethics": Their Limits

Like all such standards, the standards of business ethics have their minimum and maximum. The minimum is what is just acceptable; the maximum lies where the level of "more-than-mere-business" ethics is reached. Here the strict business rationality of behaviour is overlaid by considerations of a meta-economic, that is, a humanitarian or a Christian nature. The minimum standard we term *marginal ethics*. It denotes a behaviour which is just acceptable in the eyes of one's fellow businessmen, of other social groups, or of the public in general. Any standards higher than the minimum we term *intra-marginal ethics*. Types of behaviour which are lower than the minimum we classify as *sub-marginal*. Needless to say, these standards are not inflexible: the marginal conduct of today may be intra-marginal or submarginal tomorrow; high intra-marginal standards may become no more than marginal in another set of circumstances. Moreover, the standards are not identical in all ranges of business and trades. Some trades are notorious for high standards, others for low ones. By their very structure and conditions some trades are exposed to continuous submarginal pressure, while others may be relatively immune. Examples are plentiful; let us mention just one.

An Example

In a particular valley in Southern Germany there existed a number of competing cotton goods manufacturers. The standard goods sold were the so-called pattern 48: that is 48 times woof and warp to the square centimeter. Competition being very keen, none of the firms made money; only the most urgent investments could be made.

Then it happened that one of the firms started enlarging and modernizing; apparently it was making more money than the other manufacturers thought

possible. After some time the secret leaked out: the successful competitor was selling the 48 pattern with only 47 times woof and warp. This clearly was a submarginal procedure.

To meet the new situation, the other firms one by one also started selling the 48 pattern at 47 times woof and warp: continued competitive pressure had brought them into line with the "submarginalist". The stabilisation point was finally reached (if I remember correctly) at 44 pattern selling as 48.

The Game of Competition

Competing firms may underbid the existing marginal standards by cutting wages, impairing the quality of commodities, speeding-up of work, and many other practices which undermine a given level of business ethics. As time goes on, these practices may establish themselves as normal by superseding the hitherto valid margin of ethics. Those who, in spite of the pressure of competition, fail to adjust their standards, may be forced to the wall. It is the absence of institutional protection which, under strongly competitive conditions, lays the margin of permissible behaviour open to the inroads of submarginality. Workers' unions, trade associations, farmers' associations and industrialists' cartels alike have claimed the function of keeping out the "chiselers" who would underbid the recognized margin of business ethics. Protection of standard wages, standard prices, and standard qualities means precisely this — organised action to prevent undercutting of a recognized level of ethics in business.

On the other hand, competitive pressure may lower the marginal standards to such an extent that it begins to pay individual firms if they adopt higher standards, provided, to be sure, that these can be protected and guaranteed. The most familiar method of protection is the trade-mark; again, the most obvious guarantee lies in the recognized 'good will' of a firm. Monopolistic competition is the price paid for this curb on submarginal pressure.

A survey of the whole range of business shows that there are groups of constitutionally weak and of constitutionally strong firms. Firms doing no better than just to "break even" (over the business cycle) are weak if compared with those habitually doing better than to "break even". Some industries are more exposed to competitive pressure than others; and in almost every industry there is a number of firms hovering around the "break-even" point. Employers and workers, naturally, reveal a wide difference of bargaining strength; an employer or a union may actually be a monopolist or "monopsonist" and, so far, able to dictate the terms. Compared with former standards, these terms may be sub-marginal.

Under competitive conditions, the consumers are the privileged group, although, eventually, keen competition may again harm the consumer: he may in the end get poorer goods, incorrect weight, etc. Short-range policies of hard-pressed firms or of "chiseling" individuals may spoil a whole market by depressing the marginal standards: "fly-by-night" business is notorious for this practice, and so are racketeering unions.

"Business Ethics" = Partial + Successful Ethics

One more point may deserve consideration. By their very nature, business ethics are partial ethics; they lack the dignity of universal standards and of truly 'human' ethics, let alone Christian ethics. In their field, however, these partial ethics carry with them the premium of success. It is precisely success that invites the application of this type of ethics to all forms and dimensions of human relations.

To be 'business-like', to apply alien ethics while dealing with others, appears frequently as the 'efficient' and 'rational' method far beyond the range of what may properly be called business. It infiltrates traditional community life, the family, public administration and even the sphere of charities. It is the most powerful solvent of community standards. Its spread disintegrates time-hallowed traditions in all walks of life. Partial ethics widen their range of application and lower the standards hitherto accepted outside of 'business'.

* * *

The history of labour at the early beginnings of the industrial revolution reveals a rapid deterioration of marginal standards in the relations between employers and workers. Submarginal pressure was exercised by employers because the competitive situation in the labour market would logically invite it. For a while, the workers reacted by occasional riots; later, privileged groups among them, the skilled workers, took to defence by organization. Once organized, they enjoyed a precarious institutional protection of better standards.

By about the same time, governments stepped in and alleviated the pressure in the labour market by measures such as, e.g., the laws protecting women and children. It was, however, the long period of flourishing business beginning at the end of the 19th century which provided sufficient leeway for both efficient unionism and governmental social policies.

At any rate, unions saw their changes heightened and they increased in stability. Within their field of successful operation, submarginal pressure weakened and the conditions of wage work began to improve. Indirectly, at least, even the unorganized were to benefit. By the end of the 19th century, marginal ethics in labour relations had attained a considerably higher level. On the other hand, the same era made it evident that high intra-marginal standards inspired by humanitarian or Christian motives could not hold their ground in the face of strong competition. Hence, the maximum and minimum standards moved closer together.

Business ethics was the pattern of relationships to which the workers had to adjust their own behaviour. It forced upon them, individually, the principles of self-determination, self-liability, self-interest and competition: that is, the principles of a liberal and individualistic business society. This happened at a time when the labour market was chronically oversupplied, and when the workers still lived in a non-individualistic moral climate.

Hence their freedom to make the best of the new economic system was merely academic: self-liability actually was an unbearable burden; self-interest resulted in little more than passive acceptance of what the market offered. Competition, on the other hand, was a frightful reality.

The history of the labour movement shows that the one truly successful type of organization and strategy was that which accepted the situation, adjusted itself to it and tried to make the best of it. Organization and concerted action became the fit means of adjustment, that is to say: the instruments for resisting unbearable pressure and devising ways for mutual aid. Such an adjustment, however, implied precisely the acceptance of alien ethics and their application to the conditions of the workers.

The Logic of Unionism

By and large, the logic of unionism was this.

"You employers say 'business is business'. All right, we will look upon the conditions of labour as 'business' and nothing else. We want clear contracts and a definite "quid pro quo"; without that, our commodity — labour — is not for sale.

You say wages are determined by demand and supply. We accept that; but we shall try to suit the supply to the demand and thereby improve the level of wages for our members. We shall cut the hours, control the work load, and keep certain types of labour supply — female and child labour, above all — from the market.

You say that the government should not interfere. All right, it shall not interfere with our organizations and methods, nor with our feuds with you. You say labour is a commodity. All right, a commodity it shall be; we will keep very careful account of the quantity and quality of this commodity and ask our price for it.

You say industrial relations are relations as among aliens. All right, but then don't count on the loyalty of our workers to your firm or to management; their loyalty will be ours.

You say that profits should be unlimited. All right, wages shall be unlimited; we shall, with Mr. Sam Gompers, demand more and more and ever more.

We propose to deal with you in a business fashion — in "your" business fashion. But we can't have it both ways: alien ethics applied to workers and workers' loyalty for you.

You speak of business ethics. Business ethics it shall be; and whenever you practise submarginal standards we shall repay in the same coin."

Unionism, then, became possible and efficient by the adoption of a pragmatic philosophy; it implied the recognition of the existing economic order

and the application of business ethics to labour's dealings. There is nothing surprising in that; the adoption of standards dominant in ruling or upper classes by the ruled or by the lower strata is a perfectly normal occurrence. In this particular case, since success seemed to be tied to business ethics, there was the more reason for its adoption.

Now the purpose of unionism differed from the purpose of business in that unions exploited business ethics in order precisely to meet such conditions as their members, in the absence of social control and regulations, felt to be unjust or intolerable. In other words, business ethics in the hands of unions became a means towards the social ends of their group.

"Business Ethics", an Arm for the Unions

Union ethics is group ethics. Unions did not take orientation from Christian or community ethics. They adopted alien ethics — if not enemy ethics — for the rectification of their wrongs.

We come to the conclusion that, in the struggle between unions and capital, identical ethics are engaged for conflicting ends. Moreover, both take it for granted that the issue between them is a private affair; 'outside' ethics or their representatives have no business to mix into the fight. Unions did not intend to establish the rule of community ethics. There are types of unions on record who did; they were conspicuous by their failure.

Unions make no attempt to propagate universally acceptable ethics; they represent group ethics as working ethics. Consequently, the impact of their policies on the economy as a whole or on their social environment is no concern of theirs, although often they are prone to identify their demands with the interest of the whole society. It is noteworthy that alien ethics are much in evidence also intra- as well as inter- union relations; jurisdictional disputes are an expression of this fact.

Management and labour are locked in an unending conflict while professing the same code of ethics. There were relatively narrow limits set to the conflict during the era of struggling unionism and of a competitive economy; the market then furnished checks and balances. Both partners had to accept the verdict of expansion or depression.

With the decline of competition and the advent of established unionism the automatic checks and balances were considerably reduced. Labour, allied with the government, became more than a mere institution for the adjustment of working conditions or of defence against intolerable situations: it came to be an independent factor in the distribution process and, therewith, in production; moreover, it now yielded sufficient power to impose checks and controls on managerial policies.

Of course, labour today realizes well enough that any state of business providing substantially less than full employment is its weak spot: on this matter, therefore, it largely concentrates its attention. Full employment thus be-

came the touchstone of good management — perhaps even of the economic system itself. If management cannot provide full employment, the government has to step in. That part of the conditions of full employment which depends on the policies of organized labour faces recognition only to the extent that it is favorable to labour's demands; e.g. short hours, high wages, child labour acts, immigration acts, etc. Full employment weakens the checks and balances which curbed union policies during the era of struggle. Established unionism, in its anxiety to achieve union security, demands full or all but full employment as a supreme end — almost at any price.

By adopting business ethics unionism tried to make the best of it. As time went on, the changing socio-economic structure of industrial nations shifted more and more weight to organized labour; hence labour's demands would tend to become political issues. In its state of establishment starting in the United States from the Wagner Act (1935) onward, organized labour claimed to speak 'for the people' against 'powerful special interests'.

Simultaneously, it continued fostering the feeling of a suppressed group, or at least acting as if it still were suppressed. It could fight its battles as its private affairs, regardless of their effects on the whole nation or large sections thereof. It could insist on collective bargaining as its 'Magna Charta' while frequently undermining it by recourse to political interference and by presenting its demands in the idiom of 'must'. It could assert that the general welfare was tied to its demands, whereas in fact some of them were based on rivalry and conflicting ambitions of union leaders, or again, were pressed in the interest of union security and those vested rights which cluster around all well-entrenched organizations. Once safely established, unions could claim a share in management and at the same time in governmental policy.

One More Taboo Is Gone...

It appears that the conflict between management and unionism is a conflict between two powers — and issue joined between two elites. It far transcends the economic sphere; it affects the fundamentals of our system. With the advent of industrial unionism and its alliance with government the existing economic order is no longer *taboo*. If that order fails to satisfy the standards of established unionism, it may have to yield. Again, its displacement would amount to very much more than a change in the prevailing economic pattern; in spite of Professor Schumpeter's assertion that the cultural pattern of socialism is indeterminate, it would reach into the fundamentals of our civilization. The trend towards a labourist economy implies political, social and cultural changes of a revolutionary character, however gradually the transition might be effected.

There is no reason why any form of economic system should be exempt from the law of all being, from birth and death. No social form is immortal; they all have their historical function and vanish with its achievement. Economic systems come and go. Capitalism is no exception; neither are the institutions based on capitalism, or those balancing and checking it — of which unionism itself is one. As Mr. David Dubinsky once said, "Unionism needs

capitalism as the fish needs water." There are, indeed, schools of thought which suggest that it is all right if unions go when 'labour comes into its own'. Here precisely we have to watch our step.

Is Labour "Coming Into Its Own"?

In the first place, and speaking in ethical terms, there is the question why should 'labour', of all the social groups, be considered as the one 'coming into its own' if, as is clearly implied, this means that labour shall emerge as a ruling class, other classes and their vital interests being subservient to labour — if they survive at all. What is there in labour that gives it a dignity and a claim far superior to the farmer's, the professional man's or the business man's ? To the sages of Marxism, labour is the only creator of value; according to Marx, the rest of society feeds on surplus value squeezed out of the workers. This was always a preposterous doctrine, untenable from any point of view, and utterly deprived of any foundation in reality.

Or has labour the promise because it is "the vast majority", as Marx maintained ? Even that is not true. Labour, in the strict meaning of the term, is not the vast majority — much less so if organized labour is identified with 'labour'. But suppose labour would "come into its own". The next thing which would happen is, that with capitalism, the institutions of social checks and balances and the unions, among them the working men and women, would also drop out of the historical picture.

Now "labour" as such is an abstraction. The only thing that really matters are, after all the human persons, the working men and women. What guarantee do we have that *"they"* will come into their own ? Can we be sure that the image of man as a person will be preserved in the vast machinery of a planned economy ? All theories notwithstanding, there is neither an historical nor a sociological probability that it will.

We are faced with a very dangerous identification of 'labour' and the working people: an identification which may conceal a sinister possibility, namely that "Labour" may win all the battles while the working people loose the war. This happened in Russia. There is profound concern among English workers that it may happen to them too. No labourism, be it socialist or communist, will take one jot or tittle from the truth that "the people do not reside in Paris" (J. de Maistre), that is, that there will always be government which rules, and people who obey.

The need for a rule, and for orders to be obeyed, cannot but grow tremendously under every form of a planned economy. To be sure, all labourist systems replace the previous elite by a new one which claims to speak for "labour" or "the people"; but rule the new elite will.

Nay, by the very logic of the labourist system it will certainly be a stern task-master, against whom no appeal is possible because it represents "labour", that is, by identification again, "the people".

Some union leaders are well aware of this. A German mine-workers' leader once observed to the writer: "We miners are not so stupid as to advocate socialization of the mines, for we know too well that that would be the end of our freedom and self-determination; the planning authority would order us about worse than any mine owner ever dared to; and we could not even protest or strike as we can against the private companies".

The Alternative

The alternative which confronts our era is anything but pleasant. There is the trend towards a labourist system which, even according to Marx, will imply a dictatorship (supposedly only for the period of transition); and present experience demonstrates that its trend is towards totalitarianism.

A dictatorship under modern conditions — by the very nature of things — offers invariably the same picture; a ruling elite, wrapped in the halo of an ideology stepped up into a quasi-religion, and lording it over an utterly controlled and submissive multitude. The dignity of the human person is totally absorbed by the absolute collectivity represented by 'leaders'.

In fact, the ruling party claims even some of the attributes of the Deity: such as infallibility, omnipotence and omniscience. It claims all the qualities that inspire the utmost awe and dread, and accordingly demands the utmost submission and humiliation of the human person. What, on the other hand, such a dictatorial system renounces whole-heartedly is recognition of the inalienable rights of man, justice to all, and charity.

On the other hand, there is the reality of a late capitalist society split up into conflicting organized groups, with various degrees of power and various shades of group-individualistic ethics. There is no recognition of a good common to all; there is no longer a clearly defined sphere of rights and competences of groups and government; there is no demarcation, nor a clear recognition of primary and subsidiary functions and responsibilities.

In short, the system is centrifugal; it lacks any ultimate moral unity. The ethos of power prevails; rights of the groups go as far as power carries. The state loses in dignity and authority by allying itself with, or pandering to, special group interests. This development has been warned against by James Madison:

"To secure the public good and private rights against the danger of such a faction, and at the same time to preserve the spirit and the form of popular government, is then the great object to which our inquiries are directed.

Let me add that it is the great disideratum by which this form of government can be rescued from the opprobrium under which it has so long laboured, and be recommended to the esteem and adoption of mankind." [2]

(2) *The Federalist*, London, J.M. Dent & Son, Ltd. N.Y., E.P. Dutton & Co., Inc., 1937, p. 44.

Where Government Steps In

To be sure, a wealthy society can go a long way with such a pluralistic jockeying for power, for influence and for possessions; but the abyss opens when a depression kicks the props from under the actual or fake prosperity, or again, when an inflationary spiral has to be stopped. For these as well as for other reasons, prosperity, — expressed as it is today in terms of full employment, — is of supreme importance. Its achievement is in the first place the task of management; but the task is only accepted "under our conditions".

If management fails, the government has to step in; that, perhaps, the conflicting demands of social groups would have to be adjusted if a balanced economy is to be obtained or preserved may not even be thought worth mentioning. The student of economic and social history watches with wonderment — mixed with profound concern — the immense credit government enjoys today from the part of those with whom it is allied, and the no less exorbitant criticism it draws from the part of those whom it squeezes. Friend and foe alike see in it, not the trustee of the good common to all, but a powerful machine for redistribution. Thus, real as well as artificially created problems arising out of the conflict of social forces are thrown on the shoulders of the government. This appears as the easy way out, and absolves the groups and their leaders from their responsibility. It allows them to save face. The vast governmental machine absorbs, by degrees and often unbeknown to the people, individual self-determination and the functions and responsibilities of groups. Individuals and groups trust the government more than their own mutual understanding and compromises; the principle of subsidiarity comes to be ignored entirely.

In this chaotic situation, sub-marginal standards have their field day. We witness daily their pressure against marginal standards, hitherto prevailing, of political and social ethics. We witness how eagerly governments take to increasing their functions and responsibilities, be it for the preservation of social peace and order (which is their subsidiary duty), out of an urge for more power, or for whatever reason. If organized groups can enlist government support for their interests, they see no need for seeking results through mutual understanding with other groups or through any fair policy of give and take.

On closer analysis, it appears that the consolidation of social forces centred around competitive markets, into a society of group pluralism proper, answers exactly the principles of alien ethics with all their implications. It is now antagonistic groups that, softening or checking competition among their members, fiercely compete, by the methods to which they are adapted, among one another. Thus the individualistic market struggle is transformed into a group struggle.

The groups as such now claim for themselves what formerly were the principles of an individualistic system; group freedom and group self-determination, group responsibility, the sovereignty of group interest, and the system of group competition. We may well speak of a secondary phase of liberalism and individualism: it is the phase of group liberalism and group individualism.

The dialectics of such a society encloses a tendency towards totalitarianism of one sort or another. [3]

There Lies a Saving Grace

The basic criterion of the new situation is the fact that anonymous market forces have yielded over a wide and decisive range of the economy. Their place is taken by organized groups and their leaders. They represent well known quantities, and often equally well-known qualities. Precisely therein may lie a saving grace. From the ethical standpoint it must be said that with the relaxation of individualistic competition a range of freedom of choice and decision comes within view once more.

To a certain extent, economic life as a dynamic process is transformed into an orbit where deliberate decisions may again be made. The three big powers: government, management and labour, may decide for one or the other course — for co-operation or for conflict, for joint action or for struggle. This range of a relative freedom of decision and policy-making may turn out to be the saving grace of the situation. If the partners fail to realize its potentialities, the chances are that the trend towards totalitarianism of one sort or another will continue. Labour and business, business and government, government and labour are truly in the same boat. They may drift along, guided by the backwash of an obsolete philosophy of sovereign group interest and irresponsibility towards the common good; or else, they may stop to survey the new situation and to adopt a philosophy which transcends the narrow confines of partial interests.

The American society, more than any other, has a better than even chance to avoid the pitfalls which led other nations into socialism and beyond. But the chance has to be actualized by clear vision and by vigourous determination to make the best of it. Mere drifting along holds no automatic salvation for the American way of life.

Are Unions Insatiable?

Referring to labour-management relations, there is no getting away from the fact that great progress has been made in favor of labour. Many types of dealings with the workers, previously indulged in and tolerated by management, have been outlawed by statute law; others have been eliminated by collective agreements or by enlightened management itself. Management has learned or has been obliged to recognize responsibilities which previously it shunned or ignored. Many managers go out of their way to volunteer in freely accepted responsibilities for their workers. Unions, aided by government, have secured a tremendous success; they must be given credit for it.

And yet the fact remains that to a wide extent, this great progress has failed to improve management-labour relations. The progress thus made has

(3) Cf. GOETZ BRIEFS' article: "The Roots of Totalitarianism" in *Tought*, vol. XIX March 1944.

not substantially registered with the policies of some unions. One often cannot escape the impression that the more recognition labour has found the greater is its unrest, and the more insatiable are its demands. Hence the frequent complaint, not only among employers, that labour, being given an inch, wants a mile.

The point is of major importance; if it is correct, it bodes ill for any attempt to give labour a definitive status in society or to satisfy its demands with whatever concessions.

In his analysis of the origins of the French Revolution, Alexis de Tocqueville makes the point that the revolution broke out at a time when things took a turn for the better in France. He suggests that precisely this improvement of the situation may have contributed to the revolution: people grew impatient when they realized that things could be changed; now they wanted the whole change at once.

May we assume that something similar is occurring in labour-management relations ? Are we to conclude that, just because the conditions of labour have improved so much, unrest is bound to increase ? This observation has indeed been made in European countries. How, one may ask, does this seemingly paradoxical phenomenon come about ? Is it because the improvement in the situation of the working people renders the memory of past miseries so much the more rousing and offending ? Is it because the improvement opens vistas for 'more and more' through increasing pressure ?

A European union paper remarked, after a particularly favourable agreement had been reached:

"Some of our members think we should relax our pressure for more; but this is wrong. The high rates secured in the agreement are only a stepping-stone for more, as we realize only now how pleasant life can be as you get more and more and more".

Or again is it that the potentialities of the economic system are vastly overrated ? Or is the institutional interest of unions and their firm hold over the workers' loyalty dependent on a policy which keeps issues open ? Finally, what past has the spiritual unrest of our era in the unrest of labour (as it certainly does play a part in the unrest of all other social strata) ?

There is ample evidence that each of these factors has a degree of reality. There is present in labour a residue of the feeling of being a suppressed class. Memories of the past linger on. Labour, in its organizations and frequently individually, has adopted the pleonexy so utterly decried as the specific vice of capitalistic groups.

There is an exaggerated notion of what the economic system (any economic system, for that matter, seeing that each reckon with the basic fact of scarcity; otherwise there would be no need for economizing) can achieve.

There is a feeling that profits are an index of labour's curtailed wages. Finally, there is alive in labour the same spiritual unrest that affects practically all strata of society.

If such is the situation, then obviously there is no panacea for the unrest; no easy solution, no royal road by doing this or that. The problem is not only a labour problem: it is a problem of society as a whole, the system of government not excepted. Frank recognition of these facts clears the decks for new principles and a new beginning.

The situation may be summed up as follows. Early liberalism and industrial capitalism in its first stage were actuated by a system of alien ethics. Out of the misery of the working classes arose the labour movement, which developed a political and an economic wing. The successful type of the latter, that is, the trade-unions, adopted alien ethics. Its success hinged on union control of the workers' loyalty; hence they laid great stress on undivided allegiance. The political labour movement, on its side, adopted enemy ethics: it acclaimed whatever policy seemed fit to destroy the existing order. Thus the policies of labour played in two ranges: the political and the economic. In continental Europe the two wings separated more and more from the nineties onward; today however, they are drawing closer again.

The rise of industrial unionism proper, based on mass organization, appears to be the link which, in our era, connects the economic movement of labor with political programmes.

Unions and Government

A sector of industrial unionism today is exposed to pressure from the Left, inspired by enemy ethics aiming at the destruction of our economic system. Against the prevailing ethical standards, sub-marginal pressure is continually active. It forces many unions to adopt a sharper policy than the one they would pursue as economically necessary or equitable; it offers them opportunities or pretexts to press, in their turn, harder on management than they would otherwise do.

To put it differently, unreasonable demands of unions are often the result of pressure from their radical minority. In pressing these demands on management, the unions may pose as a conservative force and appeal to public opinion, while management is accused of an irresponsible attitude in as much as it resists such demands and thereby puts the unions in an awkward position vis-à-vis their radical wing.

Another point requires mention. Unions allied with government try to enforce their standards of social ethics for organized labour and, through legislation, for unorganized workers. The pressure from the Left, unchecked by concern about the conditions of a functioning economic order, indirectly forces the government to meet labour demands. Thus pressure on management is increased; not only social but political considerations require it to be ready for concessions which, from a business standpoint, may be unsound and, in the

long run, untenable. Management is manoeuvred into a 'fix': We may recall an instance of this, which the present writer once witnessed in a Prussian Ministry. The Minister of Agriculture received a telephone call from the Prime Minister, who requested him to grant the demands of the forest workers. At the remark of the Minister of Agriculture that the forest administration was already in the red, the Prime Minister replied: "Don't you understand ? This wage increase is not an economic, it is a political affair". Refusing union demands it may easily find itself in the awkward position of obstructing 'conservative' groups among the workers and thus being accused of endangering the economic system itself.

Unions and Management

If, on the other hand, management makes up its mind to devise a policy of welfare and responsibility for its workers, it may again find its action criticized and hampered. Unions may interpret such managerial policies as an attempt to divert workers' loyalties from their organizations. Hence their demand that all managerial welfare policies should be made subject to collective agreement and that the unions should be 'cut in' in their administration. According to them, this is the 'democratic way'; everything else is condemnable as 'obsolete paternalism'. Again, the sense of unions' "existential" insecurity enters the scene.

So far as this analysis is correct, the labour-management problem seems all but insoluble. Under the dominance of power ethics no solution but a labourist one is in prospect. Remembering, however, the margin of ethical freedom implied in the present situation, we may make some suggestions as to how this margin of freedom could be best used. In our opinion:

First, enemy ethics and the ethics of class war have to disappear if totalitarian forms of economic and social life are to be avoided.

Secondly, the pressure of sub-marginal ethics must be eliminated. Institutional arrangements are needed to protect prevailing marginal standards of labour-management relations.

In the third place, the level of marginal ethics itself should be raised, both in the plant and in union-management relations.

Finally, full attention should be paid to the principle of subsidiarity. It should be the considered policy of union and management, as well as of management and government, not to assume functions that clearly belong to the competence of minor or lower social units. All grievances that can be settled directly by the parties concerned should be settled by them; only to the extent that they, in spite of sincere efforts, are unable to do so, should the next higher unit be called upon. This applies also to collective bargaining. An end should be put to the denaturalization of collective bargaining through one-sided appeals to the government. If collective bargaining is to be the Magna Charta of labour, it should not be degraded to a smoke-screen behind which government coercion

may be invoked at any time. Responsibility should clearly be faced where it lies; it certainly should not be shifted to government or to any other "scapegoat" agency. Established unionism should feel strong enough to recognize the limits of its functions and freely to accept responsibilities. The same thing applies to management no longer exposed to illegitimate pressures. Only a realistic appreciation of the situation can help to improve it.

If the marginal standards of labour-management relations are to be raised, both management and labour have to reconsider their philosophies and policies. Difficult as it may find to recognize this truth, organized labour is in the same boat with management. The two have a very definite range of identical interest. This may be obscured by the daily hagglings and bickerings; but it cannot be overlooked from any long-range point of view, nor can the definite and identical line of common interest between management and its labour force be ignored.

In order to raise the level of marginal ethics, this line must be envisioned not in a conspiracy of management and workers against the union, nor in a conspiracy of management and unions at the cost of the consumers or unorganized labour. It should be a considered policy designed to serve the mutual interest both of the partners to the labour contract and of society as a whole.

Retracing Our Steps. . .

In raising the level of marginal ethics in the relations between management and labour the problem of alien ethics is wide open. In one of its aspects it is the problem of business ethics, pure and simple. We doubt that union-management relations today can be handled by pure and simple business ethics. Motivations of a different nature superimpose themselves, for the simple reason that power has become a determining factor. Business ethics turn inoperative where power decides; power may, at any time, overrun all rational calculations made by business.

Power is embodied in persons and controlling boards of groups; leaders of partial collectivities and of economic power wrangle with each other. This gigantomachy does not allow for business-like procedure. Power not controlled by checks and balances and unconscious of its conditions and consequences can defeat its own purposes.

Powerful union leaders may proclaim that firms who cannot meet union demands have to close down. What if they do ? Is the union prepared to take charge of the victims of its policy ? It is not; it is used to shifting this responsibility to the government. There is, however, a limit to what the governments can do. When it is reached, the government 'takes over'. This will, by no means, be the end of management, but it will be the end of union autonomy.

We remember that unions adopted the pattern of business and alien ethics and that, therefore, they claimed the whole loyalty of the members.

Once in possession of it, they can lease it to, and withhold it from management. They can turn it against management's rights and functions. They can go to the point where it almost appears that management is the 'alien' in the firm and plant. In fact, all syndicalism would aim at just that end — there is much conscious and unconscious syndicalism alive in labour.

It is much in evidence, for instances, among railroad workers and miners in Great Britain, in consequence of their disappointment with the reality of socialism.

More than ever do we realize today, in this era of intermittent mass strikes in basic industries, that there is a minimum of loyalty to the firm and plant which should not be left unchecked at the command of unions; nor should government lend their support to unions' endeavors to monopolize it.

We insist that the public has a lien on the proper and economical employment of this loyalty; and so has, when all is said and done, the government. Some degree of workers' loyalty to the plant and firm is a moral asset with important economic implications, for business and the consumer, for the government and the public in general. Hence unions should not be allowed to monopolize it, nor to use it as an instrument for their particular ends, regardless of wider interest dependent on this loyalty.

To put it bluntly: the big 'condottieres' of union duchies should not be allowed to call the members out and to send them back as they see fit, regardless of the vital interest of the communities as a whole and of the requirements of large segments of the economy. No sanctimonious appeals to 'inalienable rights' can becloud the fact that, when things have come to that pass, democracy is at the mercy of little Caesars who eitheir ride in the vanguard of Caesar or herald the advent of the bureaucratic "servile state".

Since management is charged with the social function of want satisfaction and since that function requires a degree of loyalty of the workers to plant and firm, management has a just claim to loyalty. Unions should not dispute that claim, nor should the government back up union policies designed to alienate the workers' loyalty from the firm; nor should the government enact laws which are bound to cause estrangement between management and its workers, or management and the unions.

Management and the Employees' Loyalty

What can management do to secure a degree of loyalty from its workers ? In the first place, it has to convince unions that it accepts them as a socially necessary institution and that it is prepared to negotiate, in good faith, on all *reasonable* and *economically bearable* demands. The unions on the other hand, enjoying a recognized status, should show full understanding of management's rights, functions and responsibilities. They should, if only for their own long-run good, realize that management has a rightful claim to the workers' loyalty, and therefore, has a right to engage in those plant policies which are necessary to incite and preserve this loyalty.

Within this program the first thing management can do is, to endeavor to overcome the alienation between itself and the workers. The firm and plant should be more than a mere working place and earning opportunity. It may be an exaggeration, but of a right principle, when some French social reformers of today demand that a plant be "the workers' home" and the firm its enlarged "family".

We realize that here lies a particular responsibility of the middle and lower echelons of management. They can make and unmake a peaceful and harmonious atmosphere in their departments and sections. They can to a degree make up for arbitrariness and lack of understanding, if such prevails with top management; but they can frustrate, too, the best ideas and programs devised by top management.

To train the middle and lower echelons for their social functions and responsibilities is of prime importance and great urgency. Unions and shop representatives alike can be helpful by fully accepting their contingent responsibilities; and so can government.

Defeating the Feeling of Alienation

Removal of this feeling of alienation gives the worker a feeling of 'belonging'; it enhances the pride in his job and in his working place. The feeling of alienation can be defeated and closer ties between worker and plant established if management follows a policy of job security and of job promotion without being pressed by unions into uniform and mechanical schemes which are both inflexible and expensive.

Of course, such a policy cannot be pursued to the same degree by all firms; but the principle should be accepted and, wherever possible, applied. Wage earners have, on the whole, no career, and their vocational expectancy curves break earlier than those of most other vocations. Substitutes can, to a certain extent, be developed; and every far-sighted management would develop them.

A factor which contributes greatly to the feeling of 'not belonging', of alienation, is the largeness of modern plants, their location in crowded cities and regions; the crowdedness of the plants themselves and the crowdedness of the workers' living quarters.

There is justification for an ethical principle derived from the principle of subsidiarity; it is this, that every segment or division of the production process which can be decentralized or moved outside of large plants and crowded quarters should be so decentralized and moved whenever no serious economic reasons speak against it.

It is one of the foremost social obligations of managements to pay attention to the problem here involved. A good deal of labour's unrest derives not so much from the work process and working conditions themselves, but from the latent human cost caused by crowded plants and crowded quarters.

No wage rates can make up for them; but the trouble is, that ever-increasing wages (and ever shorter hours) appear, to the unions and to the men alike, as a means to solve the totality of their problems. Diminution of the hardships and of the crowd psychosis which go with all centralized industry is a task of prime importance if industry is to survive. The problem is too vast to be met by management of individual firms; boards for spatial industrial planning composed of management, local government and labour would be better fitted to meet this requirement.

Responsibility for the Employees

We mention, in passing, plant welfare institutions and arrangements for the encouragement of workers' active interests. Experience has shown that the workers, like everybody else, appreciate the things best which are entrusted to them and for which they are responsible. This fact has found an apparently very successful application at the McCormick Company in Baltimore.

According to Mr. Charles P. McCormick, employee participation on one or the other of the company boards and the rotation of such participation among workers appears to have worked out in the workers' identifying themselves with the firm; with the consequence for the firm, that production and returns were carried to higher levels.

The author mentions one union organizer who was so amazed at the practical methods of operation that he did not think it would make much sense to organize the employees; he concluded with the telling remark: "If all companies regarded their employees as you people do here, I'd soon be out of a job." [4] Not all firms may be able to arrange such participation in the junior board, the factory board, the sales board, but wise managers would find ways to apply a similar principle.

A matter of great importance is, furthermore, a plant housing program. Wherever the means of the individual plant are not sufficient, local and regional boards, cooperating with local and regional government and unions, might step in. Something along the line of the Ruhr Valley Planning Authority of the Weimar Republic might well be considered in densely populated industrial areas.

Raising the Marginal Standards

As alienation is made to decline and, finally perhaps, to vanish, the road is clear for repression of sub-marginal ethics and for raising the marginal standards. Needless to say, they cannot be the same everywhere, even in the same industry; to a degree, they have also an economic aspect, and the ability to pay is not the same in all firms. Therefore, no overall standards would do any good; the differentiation of economic reality demands flexibility and adjust-

(4) *The Power of People*, Multiple Action in Action, CHARLES P. MCCORMICK, Harper & Brothers, Publishers.

ment in all standards which involve cost. Nor would it be a sensible idea to try to transform the plant into a Y.M.C.A. meeting or picnic, as Fourier had envisioned and some people, even today, think possible.

There will always be a certain curtness in plant relations, orders to be obeyed, authority to be respected. And yet, as this writer noticed on his frequent inspections of European and American plants, there are plants with a humane atmosphere while others smell of barracks or prisons.

Here again, the middle and lower echelons of management are largely responsible, although top management remains a force for good or evil. Much depends, too, on the kind of work and the technology used; there will always be a difference between a steel foundry and a furniture plant; between a strip mill and a machine tool shop.

There are contingent factors, and a multitude of them, which, once modern technology has been adopted, circumscribe, often rather narrowly, the range of 'humaneness' which industrial production can allow for. Dissatisfaction derived on that account is hard to meet — even if one subscribes to the ethical principle established by Max Scheler that all inhumane hardships of work which can be avoided by mechanizing should be so avoided.

Are Material Values Prime Values?

Finally, there is the question of the share which the metaphysical void of our eara has in the deep-seated unrest of labour. An element of metaphysical unrest affects also labour-management relations. For increasing segments of the industrialized nations life has lost its foothold in the Absolute; and this holds true for large labour groups as well. Hence life is deprived of a meaning which goes beyond its own span.

Satisfaction of material wants has acquired the dignity of a prime value; the temptation to look at life in this light is great for the strata who live from hand to mouth. However, economic life is precisely the sphere of scarce means; be they raw materials or any factors of production, they all 'cost'.

Hence, if material values are presented as prime values, they continuously encounter the limitation drawn by the need for economizing scarce means. There lies a hidden source of unrest. Management has to stand the burnt of pressure coming also from this angle, because its prime function is economizing scarce means.

Management finds itself today in the unenviable situation of having to sift reasonable demands from unreasonable ones, and to reject the latter — one might say — often single-handed; because it finds little if any support and acknowledgement for the fulfilment of this function.

There are some remarkable passages in Richard M. Weaver's book *Ideas Have Consequences*[5]. In the chapter entitled "the Spoiled Child Psychology"

(5) University of Chicago Press, 1948.

he analyses the disintegration of authority and discipline, the decline of the ethics of work and thrift. He traces the failure of discipline in empirical societies through a warfare between the productive and consumptive faculties. To quote:

"The spoiled child is simply one who has been allowed to believe that his consumptive faculty can prescribe the order of society. How an entire social group may fall victim of this may be illustrated by the development of collective bargaining. Demagogic leaders have told the common man that he is entitled to much more than he is getting; they have not told him the less pleasant truth that, unless there is to be expropriation — which in any case is only a resource — the increase must come out of greater productivity.

"Now all productivity requires discipline and subordination; the simple endurance of toil requires control of passing desire. Here man is in a peculiar dilemma; the more he has of liberty, the less he can have of the fruits of productive work. The more he is spoiled, the more he resents control, and thus he actually defeats the measures which would make possible a greater consumption.

" 'Undemocratic' productivity is attacked by 'democratic' consumption; and, since there is no limit to appetite, there is no limit to the crippling of productive efficiency by the animal desire to consume, once it is in a position to make its force felt politically.

"Was there ever a more effective way to sabotage a nations's economy than to use the prestige of government to advocate the withholding of production ? Strikes were originally regarded as conspiracies, and so they will have to be again when the free nations find collapse staring them in the face.

"What happens finally is that socialism, whose goal is materialism, meets the condition by turning authoritarian; that is to say, it is willing to institute control by dictation in order to raise living standards and not disappoint the consumptive soul. To the extent that socialism has done this by means of irrational appeals — and no others have been found efficacious in the long run — we have seen the establishment of fascist systems.

"We need go no further to see why self-advertised leaders of the masses' today, whether they owe their office to election or to coup d'état, have turned dictator. They have had to perceive that what the masses needed was a plan for harmony and for work. Now any plan, however arbitrary, will yield something better than chaos — this truth is merely a matter of definition.

"Accordingly, programs with fantastic objectives, some of them contradictory, have been set up. That they put an end temporarily to disorder and frustration is an historical fact. A study of their motivation, however, shows that they all have scapegoats; they were against something.

"The psychology of this should not be mystifying; the spoiled child is aggrieved and wants redress. A course of action which keeps him occupied while allowing him to express his resentments seems perfect.

"We should recall the strange melange of persons whom fascism cast in the role of villain; aristocrats, intellectuals, millionaires, members of racial minorities. In the United States there has been similar tendency officially to castigate 'economic royalists', managers of industry, 'bourbons', and all who on any grounds could be considered privileged. It looks alarmingly like a dull hatred of every form of personal superiority.

"The spoiled children perceive correctly that the superior person is certain, sooner or later, to demand superior things of them, and this interferes with consumption and, above all, with thoughtlessness.

"It is rather plain by now that even thrift is regarded as an evidence of such superiority. Regularly in the day of social disintegration there occur systematic attacks upon capital. Though capital may, on the one hand, be the result of unproductive activity — or of 'theft', as left-wingers might declare — on the other hand, it may be the fruit of industry and foresight, of self-denial, or of some superiority of gifts.

"The attack upon capital is not necessarily an attack upon inequity. In the times which we describe it is likely to be born of love of ease, detestation of discipline, contempt for the past; for, after all, an accumulation of capital represents an extension of past effort into the present. But self-pampering, present-minded modern man looks neither before nor after; he marks inequalities of condition, and, forbidden by his dogmas to admit inequalities of merit, moves to obliterate them.

"The outcry comes masked as an assertion that property rights should not be allowed to stand in the way of human rights, which would be well enough if human rights had not been divorced from duties. But as it is, the mass simply decides that it can get something without submitting to the discipline of work, and proceeds to dispossess.

"Sir Flinders Petrie has written: 'When democracy has attained full power, the majority without capital necessarily eats up the capital of the minority, and the civilization steadily decays.'

"I would suggest as worth considering in this connection the difficulties of the Third Republic in maintaining the ideal of honest toil against the pressure of venality and politics and, on the other side, the ruthless determination of the Bolshevics to permit no popular direction of affairs.

"In the final analysis this society is like the spoiled child in its incapacity to think. Anyone can observe in the pampered children of the rich a kind of irresponsibility of the mental process. It occurs simply because they do not have to think to survive. They never have to feel that definition must be clear and deduction correct if they are to escape the sharp penalties of deprivation. Therefore the typical thinking of such people is fragmentary, discursive, and expressive of a sort of contempt for realities. Their conclusions are not 'earned' in the sense of being logically valid, but are sized in the face of facts.

"The young scion knows that, if he fails, there is a net below to catch him. Hardness of condition is wanting. Without work to do, especially without work

that is related to our dearest aims, the mental sinews atrophy, as do the physical. There is evidence that the masses, spoiled by like conditions, incur a similar flabbiness and in crises will prove unable to think straight enough to save themselves.

"This is, in conclusion, a story of weakness resulting from a false world picture. The withering-away of religious belief, the conviction that all fighting faiths are due to be supplanted, as Mr. Justice Holmes intimated in a decision, turn thoughts toward selfish economic advantage. The very attainment of this produces a softening; the softening prompts a search for yet easier ways of attaining the same advantage, and then follows decline.

"So long as private enterprise survives, there remain certain pressures not related to mass aspiration, but when industrial democracy insistently batters at private control, this means of organization and direction diminishes. Society eventually pauses before a fateful question: Where can it find a source of discipline ?"

The development of new standards of ethics is a serious and very responsible undertaking. We quote from Oswald Knauth:

"Formulating a series of codes and ethics that will fit the realities of business is beyond the ability of any individual. It can be done only through a long series of conferences and decisions which, while protecting the proven productivity of managerial enterprise, will make it responsive to public approval and conducive to social welfare... if codes of behaviour are worked out and lived up to, the stability which managerial enterprise gives and the initiative it must exercise to hold its position may enable it to ward off the encroachments of harmful social forces." [6]

Finally, in winding up this section, we insert a quotation from Jacob Viner, Professor of Economics at Princeton University: [7]

"Many of these critics of business are unfair, some of them deliberately and calculatingly so. Many of these critics do not know when they are well off. Many of these critics of private enterprise are Utopian in their demands on human society; they ask for better bread than can be made even from the best of the wheat that is available. Some of them may be maladjusted individuals who would complain even in heaven if only that the harps were not tuned to their liking.

"It is unreasonable to ask of nay human institution that it attain perfection, and even perfection is not to all men's tastes. All of this is true, and no doubt relevant. But it settles no issues.

"The dissatisfaction with the economic "status quo" is too widespread, too deep, too varied in character, to be safely disregarded by businessmen, and others who are not businessmen are unwilling to disregard it even if they do not

(6) *Managerial Enterprise*, Norton Co., New York, 1948, p. 212.

(7) From a paper read at the Regular Meeting of the National Industrial Conference Board, September 1949.

share it. In democracy, if dissatisfaction with an issue is widespread, there will always be politicians — or statesmen — who will give heed to it, and who will do things to the institution.

"The believer in free enterprise, in its moral virtues or, at least, respectability as well as in its superiority from a material point of view over any rival system as a working method of organizing society for production, should keep an ear open for these criticisms. Refusal to do so, whether because of inertia, or self-righteousness, or overoptimism, or defeatism, may well lead in time, in some period of strain and emergency, to free enterprise going here as it has gone elsewhere".

What We Need: Community Ethics

Our emphasis on eliminating sub-marginal ethics and raising the standards of marginal ethics is a plea for community ethics in industrial relations, adopted of course to the specific requirements and contingent facts of plant operation. We suggest a softening up of autonomous business ethics, and its permeation with elements of community ethics. We advocate a reconversion of our standards in view of the pressing needs of our time. Our era shows little belief in the metaphysics of early liberalism, that an economic mechanism based on self-interest and competition produces social harmony and justice for all.

Of course, we are free to continue indulging in the "as if" of such threadbare metaphysics. Some do; others, in particular certain organized groups, find it to their interest to uphold the fiction; but it cannot stand the test of reality. In the long run, there is no other foundation of an economic system but justice; and justice is neither the product of market forces nor of power.

Our danger lies in the belief that right goes with power; that historical "trends" determined by power are inescapable and, therefore, in the right direction. This is a fateful attitude; it ignores that trends are value-blind. To follow them because "history seems to take them" implies the denial of freedom and both the faculty to think logically and to judge rightly. A society which entrusts its fate to trends evolving out of the struggle of powerful groups for more power is safely on the road to total control by one absolute power; it is on the road to serfdom.

Professor George Taylor remarks:

"As the conflict between the organized groups in our society grows increasingly acute with the growing power and sophistication of every group and increasingly disrupts and distorts the operation of the market mechanism, we tend to enlarge the coercive powers and functions of the state and look to it to control the groups... liberty can be saved only by an adequate growth of responsibility in its exercise by all individuals and groups". [8]

Indeed,

(8) Quarterly Journal of Economics, November 1948, p. 657.

"Man needs to belong to a community unit smaller and more personal than the overpowering state; but the units that meet this need — including trade unions — are not part of an integrated community but monopolistic groups at war with others". [9]

Whereupon the author of the article from which the quotation is taken, Bernard W. Dempsey, s.j., remarks:

"One of the major functions of American unions is to furnish a citadel and a platform from which it is safe to talk back to the boss'.

Professor Clark continues:

"Economically we are not a community... we have gradually discovered — though many have not yet admitted it — that markets can organize material interest only, and not all of them, and that this is not enough to constitute a community..." [10]

Business ethics and power are not enough. The need is for community ethics which give to every sphere of life its due — also to business.

Justice: Its Various Types

Businessmen throughout — except for the fringe of chiselers and submarginalists — have great respect for what is traditionally called commutative justice (exchange justice).

"The businessman not only accepts and approves justice, but regards it as an indispensable condition for good business". [11]

"But person-to-person relations centered around exchange justice is not enough; there is the community in its relations with individual members..." Distributive justice is required here. The businessman accepts this type of justice to some extent, in particular in his plant welfare policies. "He does not, however, grasp it as clearly as he does exchange justice, nor does he practice it so rigorously, as he does the other virtue which he more fully understands".

There is a third type of justice referring to the relations of a person to the community — to all types of community from the state to as yet unorganized communities. Part of this justice is legal justice; business takes it for granted that it obeys the law. There is another realm for the exercise of contributive justice not so readily understood and practiced. It is the realm of social justice. Its domain is not so strictly defined as the one of exchange justice or legal justice; and the social relations, which it is to regulate, are, as a rule, badly organized; no definite standards of behaviour are as yet developed. However, "the absence of formal organization does not in any way absolve one from

(9) Professor J.M. CLARK, quoted in *Harvard Business Review*, July 1949, p. 400.
(10) Ibidem p. 402.
(11) B.W. DEMPSEY, l.c. p. 394.

contributing to the community whatever is necessary for its proper function". [12]

Applied to business, the requirements of good management, according to Fr. B. W. Dempsey (and according to Dean David, who substantially takes the same standpoint) are these three:

1. — The obligation and capacity to contribute.
2. — The well being of the individual person as the goal of business — business required to be a "good society".
3. — Contributive justice as the dynamic virtue producing progress, adjustment and efficiency.

Father Dempsey continues: "The simplest exercise of contributive justice is efficient production. In an ideally organised community, this contribution is made easily, promptly and with ample economic rewards". [13]

The firm ought to be a community; it must be governed by the managers with a view also to the common good of the whole society. It should not be torn by strife and struggle between management and organized labor. "To regard as metaphysical enemies two groups that are in daily active cooperation in the efficient production of goods is as unreal as it is costly". [14]

Dean David, of the Harvard School of Business, expressed substantially the same thought:

"Part of the businessman's competence lies in his ability to get people to work together for a common goal... in every business I see opportunity unlimited for improving the human satisfactions which — I sincerely believe — people have a right to expect from the place where they spend as much as a quarter of their lives, their places of employment. If we could ever develop the technique, the background, the knowledge... so that the right man would be in the right job, just think of the frustrations, the unhappiness, the economic and social waste which could be avoided". [15]

The point which Father Dempsey made, following the Christian tradition of universal ethical standards basic to all functioning society, is precisely the one which Dean David made from his experience with business and his observations of the needs for social co-operation rather than strife. Moral philosophy and serious reflection on the evils and shortcomings of human relations in industry led to the same result. The relations between management and labor are not outside of universal ethical principles; they are not ruled by competition alone, nor by power alone. They comply either with justice, or they end in chaos, organized or unorganized.

(12) B.W. DEMPSEY, ibidem, p. 396.
(13) l.c. p. 398.
(14) l.c. p. 400.
(15) B.W. DEMPSEY, l.c. p. 400.