

## Organisation of Industry

HE object of industry is to make commodities for the people : one reason for organising industry is to make more commodities at a lower price so as to raise the standard of living. This is the primary purpose for which industry exists, though necessarily every firm must carry out its operations at a profit, otherwise it cannot continue to operate when its resources have been expended. The profit is claimed by capital as a reward for the risks incidental to participating in business: if there were no such reward, there would be no incentive to invest in other than gilt-edged securities. Wages and salaries are paid as part of the cost of production; they do not depend directly on profits, though in bad times the weekly wage-earner suffers lack of employment. A large school of modern thought seeks to make labour a more active partner in every manufacturing enterprise and would limit the reward to capital. In theory the idea is excellent, and where profits are good and more or less regular so that new capital is easy to obtain, its introduction into actual practice is attended with success. There are, however, industries and enterprises which are liable to fluctuations and therefore contain a considerable element of risk. These are difficult to finance, provide precarious employment and often no dividends; in them the risks and the misfortunes have to be borne by capital and labour alike; there is hardship to both.

When such industries are of the magnitude of the iron and steel or the cotton industry, the hardship is widespread, whilst the numbers of the workless or partially employed or lowly paid give them a political influence to express their grievances which tends to obscure the real nature of the problem and the steps which must be taken to solve it, always regarding the problem from a scientific angle as influenced by, and depending for its solution on, ascertainable facts and circumstances.

It is to the credit of the present Government that much of the real revival which has taken place in industry is based on the removal of difficulties of one kind and another by sound and nonpolitical methods, sometimes by means of tariff protection or by other form of Government assistance, at other times by financial assistance in the form of refinancing with cheap money.

The need for industrial reorganisation to meet the changing problems of the day is an obvious one. Various schemes for doing this have been put forward; some of them are of a drastic character, among which may be included those involving nationalisation.

It must be realised, though the fact is not always stated, that the ultimate prosperity of any particular firm depends on the individuals who manage it, and though they cannot rise superior to the bigger economic difficulties caused by world happenings, they can do much to mitigate the incidence of these. Too much importance may be attached to machinery and too little to leadership.

If it be granted that national prosperity depends on the level of industry, then to maintain this at a high level requires the elimination of the upsets caused by alternate booms and depressions. It is agreed that these ought to be preventable and that industry requires organising with this end in view. Whilst fair competition within an industry is essential, it should be possible in certain circumstances for an industry to act as a whole, either in relation to other home industries or when negotiating with the competitive industry in foreign countries. The subjects which concern an industry as a whole are numerous; they include research, propaganda, co-operative selling and buying, the collection of information and statistics, relations with labour, training, and more particularly the relations with our own Government in its many branches.

Such combination is effected by trade associations which, as experience is gained, are becoming more efficient, more comprehensive, more powerful and of greater use to their members and to the State. They have been developed alongside the changing conditions in industry. It is impossible to anticipate the changes or to provide for them, for they follow no rules : the more alert industries, which incidentally are those which are most scientific, are able to organise the most closely in point of time to the altered conditions.

It is essential that such organisations are entirely free from political partisanship and based only on strict economic considerations, and the same applies to the central organisation, the Federation of British Industries, which embraces all the separate trade associations as well as individual firms in its membership. Primarily formed to deal with questions of common interest presented by various Government departments during and after the War, the sphere of influence and utility of the Federation continues to increase, and it presents an organisation in advance of anything existing abroad.

Trade associations are purely voluntary, both in regard to membership and the decisions taken as the result of a majority vote. Recently the question has been widely ventilated, partly on the initiative of Lord Melchett, as to whether compulsory powers should be given to them through Order in Council, on the supposition that a full measure of industrial co-operation cannot be obtained through voluntary effort.

The compulsion of minorities is a principle which is so largely alien to British ideas that considerable attention has been given to the Bill introduced by Lord Melchett in the House of Lords. An influential committee was appointed by the Federation of British Industries to ascertain the views of trade associations and report the considered opinion of collective industry: this has been largely used in compiling the publication before us.\* On this particular point it is stated by the F.B.I. Committee that the procedure of putting into force by Order in Council the decisions of the majority of an industry, when approved by an appointed tribunal and by the President of the \* Survey of Britain's Recent Commercial Policy. Pp. 50. (Federa-tion of British Industries, 21 Tothill Street, London, S.W.1.) 18.

Board of Trade, would be an undesirable addition to bureaucratic powers.

It is essential that Parliament should appreciate, as it has generally failed to do in the past, that our whole national structure is dependent on industry, and that it must assist industry to maintain its efficiency. At bottom, industry must be financially sound, working at a profit, well and scientifically managed; redundancy, overlapping and waste must be eliminated. Though it would be tempting to have powers within an industry to force the scrapping of certain plant or prevent the extension of another factory where sufficient manufacturing capacity already existed, it is widely felt that the undue extension of compulsory methods would endanger the freedom of thought and action which we enjoy to-day.

Generally speaking, voluntary methods are proving successful; and although progress by such means is often slow, it can be speeded up very rapidly and without formalities when action is agreed. Compulsion by a majority introduces the effect of rigidity and would have a cramping effect on leadership. Indeed minorities, when progressive, are often in advance of general opinion and responsible for the new inventions and methods which bring prosperity.

There have been, of course, instances in which the failure of a trade to agree has brought increasing distress to workers and shareholders alike. The F.B.I. Committee, whilst emphasising their rarity, admits the necessity of dealing with these from without, and suggests a procedure involving examination by a tribunal appointed by the president of the Board of Trade. Lord Melchett, in favouring the appointment of such statutory committees, cites the success of the Tariff Advisory Committee and considers they would enable highly specialised industrial and technical problems to be dealt with by impartial and experienced individuals.

The Report, the consideration given to the question by the individual trade associations, the addresses given by Lord Melchett to various bodies, and those given by others who take an opposite view, have served to focus attention not only on what is a relatively minor point of compulsion versus voluntary co-operation, but also on the need for organisation within an industry. The importance and the value of co-operative effort have been emphasised in no uncertain manner, and the realisation that the firms in each and every industry must act nationally for the good of all rather than individually for the profit of the moment is proceeding apace. Instances multiply where several firms co-operate to make a new product instead of each setting up individually in competition; there is evidence that British industry is solving the new problems of the day: 239

hence perhaps our trade revival, our recovery of such export markets as exist in spite of exchange and similar restrictions. It remains as the next step to carry this spirit of co-operation out into the Empire, to build on the foundations of amity laid at Ottawa.

## Science and Philosophy

The Frontiers of Psychology

By William McDougall. (The Contemporary Library of Psychology.) Pp. xii+235. (London : Nisbet and Co., Ltd.; Cambridge : At the University Press, 1934.) 5s. net.

THE need for re-examining and redefining the boundaries of these two fields of intellectual activity has been felt more and more in recent years, and may be said to have become acute with Sir James Jeans's presidential address at the Aberdeen meeting of the British Association. The incursion of the physicist into metaphysics is a new and, to the psychologist no less than the philosopher, a most striking phenomenon. Time was, not so long ago, when the right of the psychologist to be regarded as a scientific worker was challenged on the ground that his pretended science was not science at all, but metaphysics, and no one challenged more loudly or more insistently than the physicist. There is doubt whether some physicists would concede the claims of the psychologist even yet, but it is certain that they must now formulate their challenge in different terms.

Prof. W. McDougall's little book is certainly well-timed in view of the metaphysical tendencies of the new physics. Possibly the author shows a tendency to exaggerate the importance of the position of psychology. After all, psychology is a very young science. He cannot be said to exaggerate the importance of including in our scientific account of the 'mysterious universe' phenomena which fall within the field of study of the psychologist, and his deprecation of the gap that has been created between the world of the new physics and the world as experienced is at least thought-provoking. The tone of the book is controversial-at some points pugnaciously so. Possibly also the author makes rather too much of inconsistencies in the writings of well-known physicists, which are due as much to the inadequacies of our language as to the doctrines of the new physics. None the less, the book is one which required to be written, and the author has presented clearly and cogently a case that required to be presented.

Among the many interesting problems on the frontiers of psychology with which McDougall deals there are two of fundamental importance. One is the relation between science and philosophy; the other, which is really involved in the first, is the place of the conception of causality in a scientific universe of discourse.

With regard to the first of these problems, it is very doubtful whether either scientific worker or philosopher would accept McDougall's solution. According to his view, science deals with facts, philosophy with values; science aims at knowledge, philosophy at wisdom. Truth has therefore a different meaning, and the criteria of truth are different for man of science and for philosopher respectively. For the man of science, a statement or proposition is true when it corresponds to facts, and the criterion of truth is the pragmatic one, that our anticipations based on the statement should be fulfilled. The pragmatic criterion, however, has no meaning for the philosopher. As concerned with values, he seeks validity rather than truth in the scientific worker's sense.

It is true that the points of view of science and philosophy are different, and when this difference is neglected, science may become a day-dream and philosophy a nightmare. Some scientific workers of the present day-McDougall cites Needham, but there are others-seem prepared to accept the view that modern science is a figment of the mind, representing the world of concrete reality as little as a day-dream. McDougall contends, and it seems to us rightly, that such a view of science, physical or biological, is untenable, since it involves the negation of the essential principle of science itself. The philosopher, however, is scarcely likely to accept McDougall's restriction of his sphere of influence to the realm On such a view, logic, ethics and of values. æsthetics would be included in philosophy, but metaphysics would be excluded. The philosopher seeks rationality in the world of fact as well as validity in the world of value. McDougall has apparently presented us with a view of science that might satisfy the philosopher, but would not