

SOCIALIZED CAPITALISM

A RECENT ARTICLE BY ALBERT G. MILBANK REVIEWED

THE principles and methods which have proved sound and fruitful in the organization of public health and preventive medicine may well be studied by those who are seeking solutions for our social and economic problems, according to an article entitled "Socialized Capitalism" in the July issue of the *Survey Graphic*, which was written by Albert G. Milbank, president of the Milbank Memorial Fund. After analyzing these basic principles and methods, Mr. Milbank proceeds with constructive suggestions for economic planning which have attracted wide approval, and should be of interest even to readers who have no primary concern in the field of economics.

"While we are confronted with the sorry spectacle of a breakdown in our political and economic life," says the author, "it is refreshing to turn our minds toward the notable achievements in the social field. The investment in that field has maintained its value in a world of crumbling prices. It has continued to pay dividends in terms of human health and happiness in contrast to a depressing record of omitted dividends and defaulted coupons.

"Take, for example, the solid and enduring accomplishments in the field of public health and of preventive medicine. Those accomplishments are based, not so much upon a social plan, as upon an intelligent development of sound principles. What are some of those principles and can they be applied to the political and economic patients?

"At the heart and kernel of the public health movement lies the idea of prevention. Public health is essentially preventive rather than curative. Social maladjustments, insofar

as they originate in preventable organic and mental diseases, are attacked at the source. Is it not worth while to consider whether social maladjustments which originate in preventable economic diseases may not also be attacked at the source?

“Private charity and the expenditure of public funds on a vast scale to minimize, after the damage is done, the suffering of the victims of a self-seeking individualism, should be just as much outmoded as the old-fashioned and discarded concept that the sole *raison d'être* of the medical profession is to cure human maladies. Funds to furnish work and home relief to the unemployed, measures such as the National Credit Corporation, the Reconstruction Finance Corporation, and the Glass-Steagall Bank Credit Act, are to be commended for, when the economic system fails to function, remedial measures must be resorted to, just as the ailing individual needs the ministrations of his physician. But a medical profession which considered that it had discharged its complete duty to the community when it had prescribed remedies to those who are sick in mind or in body and which gave no constructive thought to measures calculated to conserve the health of the community, would fail utterly in its higher obligations to society.

“The second fundamental principle upon which has been reared an enduring social structure is cooperation. The activities of voluntary agencies in the health field have been placed at the disposal of the health officers of the nation, state, county, and municipality, and by combining the knowledge, experience, efforts, and resources of public and private agencies into a coordinated and cooperative program, notable progress has been made in reducing the incidence of death and disease. Cooperation should be one of the fundamental principles upon which to rear an improved political and economic order.

“The time has come when cooperative agreements between competitors which have an economic and social justification should be sanctioned by law. The penalties of the law should be reserved for those who, for their own benefit, abuse this right to cooperate. This was the fundamental principle underlying that branch of the common law which dealt with the evils of monopoly. Our trouble arose, as it has on so many occasions, when we attempted to legislate a sound legal principle into an unsound statutory declaration of that principle.

“A third fundamental principle upon which developments in the field of health have been based, is the growing recognition of the importance of the emotional complexes in determining human behavior. We like to think of ourselves as rational beings. As a matter of fact, it is our emotions rather than our reasoning which chiefly influence our action. Fear and courage, hate and love, greed and generosity move men and women to do amazing deeds of good and of evil.

“Any economic plan which ignores the emotional complexes of human nature is bound to fail. For example, we are too inclined to say ‘Don’t’—not only to say it, but to rush to the legislature to embody the don’t’s in innumerable statutes designed to make men behave like plaster saints with the inevitable result of making them behave like human devils.

“Another fundamental principle observed by medical leaders is to isolate and treat the ailing tissue and not to commit mayhem on the entire body. In the political field the tendency seems to be, when an abuse appears in the economic or social life of the country, to strike at the whole system of which the abuse is only a separable feature. Two obvious examples of this are found in the Prohibition Law and the Sherman Law.

“There was a general public disgust with the evils of the

saloon but instead of dealing with this subject as the English have done with relation to their pub, and in contrast with the way in which Canada handled this problem, we attempted to sweep away the whole custom of drinking alcoholic beverages. The Sherman Law grew out of an emotional revolt against the indefensible practices of big business of the period prior to 1890 and trust-busting became the popular sport of politicians, but, in spite of this and in spite of the prosecutions which were accelerated during President Roosevelt's term, mergers and consolidations have continued, and the Supreme Court finally had to read into the Sherman Law the 'rule of reason,' which is about as far as the Court can go until the Act is amended.

"Still another fundamental principle which is of the very warp and woof of the public health movement, is founded upon the basic concept which inspires it and gives it vitality. Its purpose is to promote the health, happiness, and welfare of the people. It is not consciously self-seeking but unanticipated economic advantages have developed as by-products of its activities. To take but one example, it has been estimated that for every dollar spent in the antidiphtheria campaign conducted by the commissioner of health of New York City, three dollars of the taxpayers' money was saved in actual out-of-pocket expenses for medical, medicinal, hospital, and nursing care. By the same token, business will serve its own interests by broadening its purposes to include social objectives as well as profits.

"The profit motive always has been and, within the predictable future, will continue to be the strongest incentive in industry. Too often, however, it has been construed to mean maximum profits within a minimum time. This has produced the feast-or-famine experiences of business which are noticeably finding less favor. It is now becoming con-

vincingly clear that the buying power of the community is just as essential to profits as low-cost mass production and distribution, which were thought to be all sufficient."

Commenting on Mr. Milbank's views that investments in public health save money for the community, the *New York Times* says editorially, "Mr. Milbank has a right to urge such investments, for though he could make no reference to his own part in such activities in the field of public health, for example, it is known that he has practiced what he here preaches." The *New York Herald Tribune* makes similar comment and praises the author for suggesting "the needs and ways of putting heart and conscience into the conduct of industry." President Glenn Frank, of Wisconsin University, was so impressed by Mr. Milbank's suggestion that the principles underlying public health work be applied in economics that he devoted one of his syndicated editorials to a summary of this part of the article.

The interrelation between social service and material resources is presented as follows by Mr. Milbank:

"It is obvious that the social services are closely related to the amount of resources, public and private, available for such purposes. In fact, if the social services outdistance the available resources, they will not only fail to reach their objective but they will become an actual factor in contributing to a breakdown of the economic system upon the continuance of which their very existence depends.

"It is equally true that the economic welfare of the country is largely dependent upon the social well-being of its people. A high rate of mortality and morbidity, ignorance and discontent, lack of faith in the intelligence and integrity of those who have assumed leadership—all such factors react unfavorably upon the smooth functioning of the economic system.

“The primary motive of the social services is to promote the health, happiness, and welfare of the people with no conscious awareness of realizing a pecuniary profit therefrom. Nevertheless, substantial profits to industry have resulted from these social movements. The primary motive of industry is to make profits with very little, if any, conscious awareness of rendering a social service but, in fact, an honestly managed business is an institution of very real social value even if its management is hard-boiled. With each progressive step in the direction of humanizing and socializing its operations it will insure and stabilize its continuous commercial success.”

Comparing socialism with capitalism and noting the shortcomings of either system in its extreme form, Mr. Milbank declares that capitalism should be rehabilitated through the humanizing, mutualizing, stabilizing, and socializing of industry.

In humanizing business through extension of the present work of personnel directors, holds the author, there should be recognition of the “sensibilities and aspirations, hopes and fears” of working men and women. An important way of mutualizing business, he believes, is to provide further opportunities for employees to become stockholders.

A long stride toward stabilization of business would be the substitution of cooperation for competition, which, the author says, has too frequently meant the death of trade. He suggests that cooperation take the form of agreements among competitors “to conserve natural resources and to maintain a reasonably profitable balance between production and consumption.”

In order to permit such agreements the Anti-Trust Laws would have to be modified. He suggests a three-year moratorium of these laws as a measure affording emergency relief

to business. If Congress should wish to impose a special safeguard, he says, it might limit cooperative agreements to companies which during the periods of the agreements are earning a smaller percentage of net profit in relation to their gross sales than their average over a given previous period of, say, five years.

Meanwhile, according to Mr. Milbank, measures to help employees should be evolved. A system of unemployment reserves is proposed as the next step. The employer should contribute "out of profits when earned," and the employee "out of wages when received." He figures that if 5 per cent of the net profits and 2 per cent of the aggregate payroll of industry had been set aside during 1925-1929, the reserves thus created would have amounted to five billion dollars.

Finally, says Mr. Milbank, the gravest problem confronting the nation, is "not economic bankruptcy, threatening as that is, but moral bankruptcy." A spiritual rebirth is necessary to eradicate racketeering, bribery, graft, and similar "sins against society."

A few typical newspaper comments on the economic views of Mr. Milbank may be quoted. To the *Post-Gazette*, Pittsburgh, Pennsylvania, his statement indicates that "we stand on the threshold of a new era in business." The *New York World-Telegram* says that "the spirit of his courageous and bold philosophy recommends itself highly to the business world generally." The *Star-Eagle*, Newark, New Jersey, in a similar vein, praises the "stimulating and frank" article. The *County Review*, a weekly, in Riverhead, New York, says that "leadership is not bankrupt when men of the caliber of Mr. Milbank sound the imperative call for the reconstruction of our economic society on the basis of social justice."