**Thurman W. Arnold, THE FOLKLORE OF CAPITALISM, Yale Univ Pr 1937, CHAPTER VIII:**

***The Personification of Corporation***

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

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

(186)The origin of this way of thinking about organization is the result of a pioneer civilization in which the prevailing ideal was that of the freedom and dignity of the individual engaged in the accumulation of wealth. The independence of the free man from central authority was the slogan for which men fought and died. This free man was a trader, who got ahead by accumulating money. There was something very sacred in the nineteenth-century conception of this activity. In the ’seventies the most popular text in economics was one originally written by a clergyman, Bishop Francis Wayland, and revised in 1878 by A. L. Chapin, President of the Congregational College at Beloit. Joseph Dorfman, in his brilliant book on *Thorstein Veblen and His America,’* summarizes this philosophy of the holy character of the trader’s function as follows:

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

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

> (187)Since socialism is the "utter negation" of the right of private property, "man is no more adapted to it than the barn fowl is to live in the water." Philanthropy or any other aid of the poor is a violation of the same laws of God and property. All attempts to "relieve the natural penalties of indolence and improvidence" bring about "unexpected and severe evil." The doctrine that the government should provide for the unemployed "is the most subversive of all social order." Even the claim of Ruskin that "all labours of like amounts should receive the same reward," means the suppression of "commercial law," which is "God's method." If labour and capital are free, as they are in the "order of nature undisturbed" under "the law of competition," then "the flow of each . . . toward an equilibrium, is as natural as that of waters of the ocean under gravitation." In reality the labourer has no complaint against the competitive system. As Perry put it, employer and employee "come together of necessity into a relation of mutual dependence, which God has ordained, and which, though man may temporarily disturb it, he can never overthrow."

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

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

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

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

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

It was this identification of great organizations with the dignities, freedom, and general ethics of the individual trader which relieved our federation of industrial empires from the hampering restrictions of theology which always prevent experiment. Men cheerfully accept the fact that some individuals are good and others bad. Therefore, since great industrial organizations were regarded as individuals, it was not expected that all of them would be good. Corporations could therefore violate any of the established taboos without creating any alarm about the "system" itself. Since individuals are supposed to do better if let alone, this symbolism freed industrial enterprise from regulation in the interest of furthering any current morality. The *laissez faire* religion, based on a conception of a society composed of competing individuals, was transferred automatically to industrial organizations with nation-wide power and dictatorial forms of government.

(189)This mythology gave the Government at Washington only a minor part to play in social organization. It created the illusion that we were living under a pioneer economy composed of self-sufficient men who were trading with each other. In that atmosphere the notion of Thomas Jefferson, that the best government was the one which interfered the least with individual activity, hampered any control of our industrial government by our political government. We were slower, therefore, in adopting the measures of control of industrial organization than a country like England. The Government at Washington gradually changed into what was essentially a spiritual government whose every action was designed to reconcile the conflict between myth and reality which men felt when a creed of individualism was applied to a highly organized industrial world. Government in Washington was supposed to act so as to instil "confidence" in great business organizations. The Supreme Court of the United States, because it could express better than any other institution the myth of the corporate personality, was able to hamper Federal powers to an extent which foreigners, not realizing the emotional power of the myth, could not understand. This court invented most of the ceremonies which kept the myth alive and preached about them in a most dramatic setting. It dressed huge corporations in the clothes of simple farmers and merchants and thus made attempts to regulate them appear as attacks on liberty and the home. So long as men instinctively thought of these great organizations as individuals, the emotional analogies of home and freedom and all the other trappings of "rugged individualism" became their most potent protection.

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

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

It was the personification of the corporation as an individual which gave moving force to such remarks, which otherwise would seem almost incredible. Anyone who actually struggled for the liberties of actual individuals, rather than idealized ones, was greeted with the hostility that greets anyone who tears the veil away from a great symbol. Thus Felix Frankfurter of Harvard, fighting for Mooney and for Sacco and Vanzetti, was a distinct handicap on the endowment drive of that great institution. Roger Baldwin, head of the Civil Liberties Union, served a term in jail and was always regarded as a suspicious character. This is not surprising, nor should the observer become indignant about it. It is simply an illustration of how the personification of the great corporation actually worked to monopolize completely the mantle of protection designed for the individual. The Civil Liberties Union thus contained less respectable people than the American Liberty League.

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

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

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

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

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

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

Organizations which exercise governing powers of a permanent character do not maintain their power by force. Force is entirely too exhausting. They do it by identifying themselves with the faiths and loyalties of the people. Therefore, the picture which people see of a society is always in terms of these faiths and loyalties. They do not examine anything, however obvious, which contradicts those faiths. Few educated men who opposed the holding-company bill could actually describe the structure of any of our great holding companies, but this did not interfere with their belief that an attack on that form of corporate structure was an attack on individualism.

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

> *Securities and Exchange Commission v. Electric* In the United States the Bond and Share system embraces utility properties in no fewer than 32 states, from Pennsylvania to Oregon and from Minnesota to Florida. The system serves 2,487,500 electric customers, Jo percent of the total electric customers of the United States, deriving therefrom in a year $214,600,000 in revenues. This exceeds the annual income of any state in the United States, with the exception of New York *(Financial Statistics of State and Local Governments* [1932], p. 10, compiled by the United States Department of Commerce, Bureau of Statistics). In 1934, 85 billion kwh of electric energy were generated in the United States. Of this amount the Bond and Share system generated 11.11.8 billion kwh, or approximately *14* percent, and handled 14½ billion kwh, or 17 percent. The system owns 23,460 miles of transmission lines (i.e., lines of more than 40,000 volts), or 30.2 percent of the total miles of transmission lines in the United States.
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> (195)These gigantic gas and electric utility enterprises over which the Bond and Share companies hold sway represent tremendous aggregations of capital belonging to investors throughout the world. Of the huge investment in these enterprises, seventy-five to eighty percent is represented by the senior securities of operating companies, purchased for the most part by the investing public. The interest of Bond and Share or its intermediate holding companies in these operating companies (as represented by their common stock holdings) usually did not exceed 25 percent of the total stated capitalizations of the operating companies. When these capitalizations reflected, as they nearly always did, ledger values substantially in excess of the cash paid into the operating companies or the original cost of the properties to their predecessor companies, Bond and Share's real equity in these properties became even smaller, and the public's larger. Write-ups in the capital accounts of the operating companies, in other words, served as the book basis for the securities issued. . . . It is a fair conclusion, even though possibly not susceptible of exact proof, that in light of the write-up policies pursued by Bond and Share, the common stocks of its operating companies, which its intermediate companies hold, represent substantially less than 20 percent of their *bona fide* capitalization. The real owners of the operating properties in the Bond and Share system are not Bond and Share (which owns, in its intermediate holding companies, only a minority interest sufficient for control); nor are the real owners the intermediate holding companies which own substantially all of the common stock of the subsidiary companies. The real owners are the senior-security holders of the operating companies. It is they who have contributed substantially more than three-fourths of the capital. Yet they have been deprived of any real representation in the management of their properties, and for them Bond and Share has no mandate to speak.
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> A holding company is distinguished from an investment company by the control it is in a position to exercise over its subsidiaries. In the complicated field of corporate finance, that control may be exercised in many ways, sometimes loosely and sometimes rigidly, sometimes openly and sometimes covertly. Where voting stock is widely distributed, actual control may be exercised by a very small percentage of common stock, yet a large minority interest may be unable to exercise control if a still larger interest is possessed by another organized group. It is relatively easy for a company charged with controlling another company to prove that it in

fact exercises no control, but it is extremely difficult for an outside agency, which must draw its facts from unwilling witnesses, to assume the burden of proving actual control. The use of voting trusts and of agents and nominees with undisclosed principals may conceal the real source of control

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

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

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

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

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

(198)Initiative, courage, hardihood, frugality, and aspiration for self- betterment are to be penalized, and the fruits of these are to be taken from those who have undergone self-sacrifice to attain them and bestowed upon those who have never developed the qualities to

> possess themselves of rewards. . . . The necessity for struggle, by which men have developed strength, and the discipline of hardship, through which they have achieved greatness of mind and heart and soul, are to be replaced by a specious security.
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> But it is the effect of the New Deal on the imagination and aspiration of youth that I most dread. I am desperately afraid of it because it teaches young men and women to unlearn the lessons of America which school and college have striven so earnestly to teach. It encourages weakness and penalizes strength. It diffuses throughout the masses of our people the spirit of acquisitiveness which it condemns in groups of them. It punishes accomplishment and persecutes individuals and industrial enterprises alike simply on the basis of the magnitude of their achievement without regard to the social value of the imaginative and creative talent which brought them into being. *(Atlantic Monthly,* October, 1936.)

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

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

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

In this situation people described difficulties in which organizations found themselves solely in terms of individuals competing for money and became, as a result, extraordinarily mixed up in their diagnosis. Instead of guessing on the strength and stability of the organization as one guesses on the future of a political machine, they made their predictions on the basis of a system of bookkeeping which pretended that claims against organizations were tangible private property having a money value set by the laws of supply and demand.

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

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

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

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

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

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

This folklore which denied that labor had a moral claim on an industrial organization produced most interesting results. The textile industry in New England had a supply of docile labor which it exploited for years. Then it took the so-called "capital" thus accumulated and invested it in the South where labor was still cheaper. This enriched a few trust companies in Boston but left whole communities impoverished. Nevertheless, under the creed of rugged individualism, primitive-minded conservatives of New England fought to the bitter end to preserve this manner of doing things.

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

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

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

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

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

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

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

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

The two most important ceremonies which have dramatized the rugged individualism of business organizations are those which surround the antitrust laws and the reorganization of insolvent corporations. The one is useful in times of prosperity. The other is called on in times of adversity. Both are designed to perpetuate the illusion that it is men, and not organizations, with whom the Government at Washington is dealing. We will consider them in the next chapter.