

THE ORGANISATION OF MODERN ENTERPRISE

A Proposition

When soon after my immigration to the UK from the Soviet Union in 1971 I joined, for the first time in my life, an anthroposophical study group to study the Threefold Social Order, it was an unforgettable experience. I was in awe of the members, and particularly of the two leading personalities, of this little group. For weeks I did not dare to open my mouth even to ask questions, of which I had plenty, regarding the Steiner book "World Economy" that we studied. But I was not a passive participant. I eagerly studied Steiner's social ideas which fructified my own, and my own experience, which I brought with me from my former life and work. And I was eager not only to study and discuss social ideas, but to implement them. To this end I wrote this proposition (below) and presented it to our group – with trepidation.

The reaction of the group, or rather of the two leading members, was quite unexpected. One was full of enthusiasm, seeing in my proposition the first opportunity for the group to do something practical and tangible, while the other was rather sceptical and dismissive. Amazingly, a serious argument developed between the two (the other members, including myself, kept silent) which seemed to threaten the existence of the group. But in the end it was a very useful experience for me.

My specific ideas and propositions had never been discussed in the group and in any case their discussion could hardly have been fruitful. None of the members had any industrial experience and my little paper was for them a mere abstraction. This experience of mine was later repeated many times in the anthroposophical environment which finally convinced me to go outside it. As a result I wrote another, more substantive paper, "The Organisation of Modern Enterprise in Accordance with Man's Needs and Rights" which follows, with its own introduction written at the time, after the Proposition.

However much we may admire Rudolf Steiner's ideas about the Threefold Social Order, however important we may consider them to be, if we really believe in their practical strength for life today, we cannot but try to implement them with all our vigour. At the same time these ideas, in all their fullness, are among the most difficult to apply in practice, because they are concerned with the remaking of society as a whole. However, if we do not start this remaking now – maybe in a small way, maybe on a very limited scale – it will never come to pass. It is to the creation of a small 'threefold' element that this proposition is devoted...

This proposition is put in a quite general form, but if it is acceptable as such, a group of competent individuals could work it out in detail and put it into practice.

The remaking of society on the basis of the idea of threefoldness consists both in dividing it into three independent spheres, and in the remaking of each of these spheres and the institutions within them. Many such transformations and many institutions will appear as a result of and after this division. But some of these institutions already exist, at least in their external form. And in some of them it is already possible to make transformations in the spirit of the threefold ideas – maybe on a limited scale, but which may be fruitful for the present as well as for preparing the way for the future. It is here that I see the real possibility for the practical implementation of these ideas.

One of such institutions which are the basis of our economic life, both of the present and the foreseeable future, is an industrial enterprise. At present such enterprises, contained within the economic sphere of the social organism, have totally wrong relations with the institutions of the other two spheres, due to the wrong or-

ganisation of the social organism as a whole. On the other hand, the functioning of such enterprises is also faulty, as is the functioning of the whole economic sphere – for the same reason. In short, that which now takes place in industrial enterprises appears as the result of the working, in different degrees, of two irregularities: firstly, the intrusion of political and legal elements which disturb the economic process from the outside; secondly, the wrong organisation of the economic process itself which disturbs it from the inside. This is made still worse by the wretched condition in which the spiritual sphere finds itself today, a condition, which makes it impossible for this sphere to nourish the other two.

Is it possible to change this state of affairs? If today there is practically no hope for fundamental changes which can be brought about only from 'above', with the participation of the whole of society, then maybe it is possible to bring about limited changes from 'below', within the framework of perhaps one enterprise.

If it were possible for a given enterprise to exclude the influence of political and legal aspects from the economic process, leaving it to its own resources;

if the status of the workers in this enterprise would be determined by an external independent body which is concerned only with the effective functioning of the enterprise and with the welfare of its workers;

if the economic process would be organised on the true foundations (using the indications given by Rudolf Steiner);

if the participation of the workers in this enterprise is justified only by their abilities and wishes, – then in present conditions we would have an enterprise which would be brought significantly nearer to the principles of the threefoldness of the social organism.

Practically this could be carried out in the following way:

1. The first step to be taken by the Initiative Group must be the raising of funds for the realisation of this undertaking.
2. These funds should be used on the enterprise at the discretion of an individual, or a group of individuals, whom the Initiative Group considers capable of leading and managing successfully an economic (industrial) enterprise. A long-term (3, 5 or 10 years) contract should be concluded with this person in accordance with which he becomes the Owner of the Enterprise, enjoying full rights for the given period. This contract also stipulates financial, legal and other conditions and relations, as well as the main principles on which the leadership of the Enterprise and the labour relations are based (see cl. 4)
3. The workers employed by the Owner of the Enterprise shall also accept a contract, where the conditions of their work and the labour relations are stipulated (see cl. 4)
4. A special independent Legal Body works out, at the request of the Initiative Group, a Labour Code stating the status of the workers of the Enterprise including the Owner. The Legal Body also works out the labour contracts and deals with the financial and legal relations between the state, the Initiative Group and the Enterprise...

In conclusion I wish to emphasise the especial significance and convincing power which a successfully functioning 'threefold' industrial enterprise may have for bringing about the Threefold Social Order.

THE ORGANISATION OF MODERN ENTERPRISE IN ACCORDANCE WITH MAN'S NEEDS AND RIGHTS

This paper was written soon after I came to the UK from the Soviet Union in 1971, and its content was based, subsequently, on two sources. In the first place, it was my experience in engineering and administration, and the thoughts and ideas which accompanied it, when I worked for twelve years as an industrial designer in various research and production enterprises. Then it was fructified and stimulated by what I managed, at the time, to learn and absorb in the West, sifting it through my own experience. The considerations outlined below were the result of this process.

Just as people do not, in their everyday life, usually ponder over life's meaning and aims, so while performing their daily work they seldom reflect upon its wider meaning and purpose. But outstanding personalities always appear to be exceptions in this respect; it always appears that they see further and more deeply than the rest of us, that through their vision we, too, may know more.

That is why when once, as a young man, I happened to chat in an informal and relaxed atmosphere with one of the outstanding physicists of our time, Lev Landau, I asked him: "What made you choose to become a physicist and why are you engaged in physics?"

I do not know whether he had previously given these questions any thought, but his answer, of which I give here the general meaning in my own words, was like this: "In the first place, my work as a physicist affords me great spiritual satisfaction; in the second place, it is of use to others; and thirdly, it is of some material benefit to me."

My subsequent experience convinced me that these three reasons – three motives, given by the great scientist as his own, are in fact of wider application, forming, as they do, the basis of every man's work, of whatever kind it may be. The extent to which they are experienced and acknowledged by the worker himself, their significance and the possibility of applying them in various circumstances may vary considerably. But their presence, the need for them is very real: for should even one of them be lacking or not applied, this, consciously or not, is felt by the worker and affects both his work and his state of mind.

But these motives become manifest in people in different ways. Between the motives themselves the difference consists in the fact that in the first and in the third is clearly revealed a personal, 'egotistic' element, while the second, in contrast, is orientated towards others (although here, too, self-interest, 'egotism', may be present).

Let us consider the first. People involved in creative work are inclined to consider it as basic, the only – or almost the only – motive behind their work. People of manual labour, on the other hand, tend to relegate it to the second place, even looking upon it as fanciful or as an unrealisable ideal. A negative attitude to the first motive is largely due to existing conditions of our life, in which work appears as a physical or mental burden. Yet the real and enormous role played by this first motivation-factor becomes apparent when one considers just two extreme cases which may in certain circumstances occur: first, when creative enthusiasm overcomes inhuman conditions of work, and, second, when moral and physical degradation results from an idle and aimless life.

In regard to the third motivation factor, people can also go to two extremes. Some – and these would almost certainly be people doing creative work – may attach no importance to it, and such cases are well known. While others – manual workers, of course, and the vast majority of other categories of workers – look upon it either as the main drive of their work or at any rate as being of extreme importance.

And it is indeed of great importance, in the sense that if as an inner stimulus this motivation-factor is even denied, it has to be satisfied as an actual need, for otherwise man is not only unable to perform the work of his choice in a satisfactory manner, but simply cannot exist physically.

The second factor is also of prime importance for some people, few in number, who consider service to others to be the basic drive behind their work. It is interesting to note that while no one denies the presence of this factor in almost every sphere of activity, it is at the same time assigned a, so to speak, theoretical, ideal role, as if it were some moral precept. Yet there is nothing more real than this factor of our activity – work for others. For there exists no field today in which the immediate result of his work would be used by a man exclusively for himself – it being, as a rule, designed exclusively for others. Even the fruits of inspiration, born in solitude and tranquillity, even what results from mere hobbies, is something that very few would not wish to offer to others – for their comments, appreciation, encouragement, or even financial support. On the other hand, no one these days would dream of being able, even in theory, to do without the aid of others (if like Robinson Crusoe he were to find himself on a desert island, he would inevitably in his fight for survival have to draw upon what he has assimilated of mankind's knowledge and experience). In other words, everyone today enjoys the fruits of someone else's labour, and every worker works for others.

Thus, three very real factors of any kind of work – inner satisfaction, work for others and material remuneration – should be recognised by every worker and find their appropriate place and satisfaction in every kind of work. This should be the basis of any enterprise, if its managers and workers wish it to be founded on reality and so that they should themselves see the meaning, necessity and usefulness of their work.

Of course the possibility of a practical realisation of these factors in any given enterprise depends on the good will and ability of all involved, as well as on the concrete possibilities and circumstances. Nevertheless, the considerations outlined above can be worked out in detail insofar as they are applicable to any kind of enterprise; and at this point an attempt to do this may be made.

What, then, from the point of view of these three factors, i.e. from the standpoint of *reality*, is in fact a productive enterprise, industrial, financial and so on? *It is above all a group of people who came together to carry out common work in which they can realise their creative potentials and abilities for the benefit of others and of society as a whole, and which affords them a living consistent with human dignity.*

In a certain sense this group of people is a ship's or plane's crew, each member of which performs a specific task upon which depends the success of the entire mission, and, in some cases, even the lives of the crew.

In a certain sense it is a family, in which the natural concern for its welfare as a whole comprises in an organic way concern for the welfare of each member, mutual aid and sacrifice.

Yet a group of people assembled for concerted team-work is more than a ship's crew, more even than a family. The members of this group have come together not as the result of administrative or genealogical factors. Their mutual relations are not the consequence of disciplinary requirements, nor of blood-ties. Their work is not determined by a code or tradition; it stems neither from some strategical nor family interests.

The people who have formed such a group have done so *freely* – of their own free will and choice. They have done so because *in this way* they can best discover their potentials and utilise their capacities, *in this way* they can be of greatest use to others, *in this way* they can best satisfy their material needs.

Inner discipline and observation of accepted norms and regulations are natural to them; they keep up with up-to-date achievements in management, technology and finance, and work to ensure the profitability of the enterprise; their activity is based on co-operation and ensures their personal welfare. But all these and like aspects of modern man's activity rest upon their recognition and voluntary acceptance of those practical and at the same time lofty principles which the times are enforcing upon us.

Not one of these principles is active in isolation; which is why the measures which bring one principle into effect will relate to the others also, while in some cases it would be quite impossible to relate one or other measure to one principle alone.

And yet work at the creation or improvement of a productive enterprise requires not only a clear understanding of the principles which gather together its workers and bring the enterprise itself into being, but proceeding from them, requires also the elaboration of those concrete measures that may best realise these principles.

And so these principles are as follows:

- **Acceptable conditions of work**, which include conditions for meaningful and productive work, healthy staff and industrial relations and so on, i.e. a complex of conditions thanks to which a worker obtains satisfaction from his work.
- **Awareness of working for others**, i.e. receiving satisfaction, not merely from the actual process of work, but also from what results from it, the feeling that it is needed by others and is beneficial to them.
- **Receiving a just remuneration**, i.e. receiving such a remuneration for having been of use to others, which ensures the worker and his family a living consistent with human dignity.

Conditions of Work

The ideal, or let us say optimum, situation is the one in which people who *have discovered both their inclinations and interests*, do their work that satisfies these interests in conditions *best suited to their abilities*.

From the standpoint of an enterprise the first factor is an external one, depending upon a man himself and those social conditions in which he is trying to establish himself as an individual and find his place in society. Present social conditions are not conducive to this process, with the result that the nature and the place of work of the majority of people are nowadays determined not by their motives, but by what is called 'circumstance' or 'chance'. But such a state of affairs is a reality of today, and if it not an easy matter to change it quickly, then at least it can be rectified or improved.

And it is at this point that the second factor, i.e. the conditions in which people work at an enterprise, should be fully brought into play. These conditions, together with the measures appropriate to them, should comprise the following:

1) Within the scope of his own work everyone at the enterprise should enjoy complete independence and freedom with the responsibility that goes with them. As soon as this scope has been determined (as defined below) the person himself plans and organises his work in a way that accords with his capabilities and understanding of his part in the general process; and no one, neither manager nor any body of workers, should have the right to interfere administratively in these efforts of his. But this does not, of course, mean that his work and its results are beyond control. They should be discussed and may be criticised, and he himself may even be suspended from work.

2) Everyone at the enterprise should be fully acquainted with adjacent sectors of work, i.e. those upon which his own work directly depends and those which directly depend on his. These, in their totality, constitute an intermediate production unit, whose limits are defined by production expediency. Those working in this unit, together with an immediate supervisor, jointly discuss the work of their unit, establish the volume of everyone's work, co-ordinate and link their tasks.

3) Everyone at the enterprise should be familiar with the entire technological process of the enterprise as a whole, beginning with the supply of raw materials, right up to the point at which the ready product leaves the factory. The degree of this familiarisation is established by the administration which also organises it. But this process should embrace the whole enterprise, even if some branches are located in different places, and should take place during working hours at the company's expense (this being part of the general production process). Because of the workers' direct participation in the intermediate production process, which comprises their own work, and because of their familiarity with the process as a whole, they can see how their work organically enters into this process. But they and their work are not mere cogs when they enter into this process, but living cells which exist independently, giving life to other cells and to the whole. Discipline, planning and co-ordination are for the workers not abstract concepts, or whims of the administration, but essential 'physiological' functions of the productive enterprise-organism.

4) Apart from discussing the work of his production unit, everyone should participate directly (or in some cases through representation) in the production meetings of the larger units, right up to the general meetings of the whole enterprise. At these meetings, which ought to take place regularly, the supervisors should report on the progress made and current work, and put forward future plans together with the measures for carrying them out. Any questions regarding production may be discussed – problems ranging from industrial safety measures and canteen meals to financial policy and the competitiveness of the enterprise. Proposals on these issues, regardless of the number of those who back them, should be set down in the minutes of these meetings. But neither these, nor proposals made in any other form, should have the force of a final decision for the supervisors concerned. For they, while doing their work, are, like any rank-and-file worker, protected from interference by outside forces – 'outside' in respect to their abilities and intentions. Thanks to their participation in such meetings the workers are kept in touch with the current affairs of the enterprise and the policies of the management, can better harmonise their work with them and, within defined limits, exert an influence on them.

5) As a result of the measures outlined above and others, the worker not only acquires and enjoys the independence of his work and realises its importance, but also adopts a similar attitude to the work of others. These, whether superior or inferior in status, no longer appear to him as bosses or subordinates, but as fellow-workers, colleagues and work-mates, all engaged in a common cause. Their functions are different, but only because their abilities and interests, i.e. their individualities, are different. But it is also due to these differences that the existence is possible of a multifaceted enterprise and indeed of our entire society in its present form, when an individual contribution enriches both society and its members. This fact of life comes to be experienced by the worker of the enterprise as something living and practical. Hence his interest in the success of the work of others, his desire to contribute to it and co-operate, i.e. the striving towards the creation and establishment of such work-relations which by their nature may be called *fraternal*.

6) And so, the workers at such an enterprise by their very nature and not merely by name, are no longer bosses and subordinates, but fellow-workers with different functions. But, insofar as leadership and organisation are an integral part of a modern production process, some of those involved in an enterprise naturally as-

sume the functions of leaders and organisers. And as such they are responsible for the sector which they run and organise, as well as for all those comprised in it. Which means that although a supervisor may not interfere with the process of work, creative or productive, which his worker does, it is his duty to scrutinise it and, if need be, to bring it to a halt and even to pronounce him incompetent.

7) If one were to analyse the defects of any contemporary enterprise belonging to the industrial and economic sphere of one whole social organism, it would then be apparent that these defects are there not only because one or other principle or measure has not been applied at this enterprise, but also because of the things which have taken place there that should not have taken place. From the standpoint of production and economy on which, of course, it is based, an enterprise should be guided in its work exclusively by considerations aimed at strengthening this basis. But since an enterprise is not a self-perfecting machine, but a living organism whose cells are people, its viability depends entirely on the functioning of these cells. And since people are of course complex beings, they have various interests in various spheres of life.

The enterprise in which a man works is only one such sphere, but it occupies such a special place in contemporary life that those of man's interests which are not directly bound up with the production process come to be in one way or another linked with the enterprise. The discovery of man's abilities and the satisfaction of his creative impulses are linked with the entire structure of social life. A modern enterprise can offer a man very little in this respect, and in the clauses 1 to 4 it was suggested how this situation might be altered.

Other vital human interests bound up with his material needs and legal status are, on the contrary, so deeply rooted nowadays in the life of an enterprise that their pursuance often deals severe blows to the production and economic bases upon which rests the welfare of the worker himself.

The satisfaction of man's material needs will be discussed in the section **Just Remuneration**, while at this point the legal aspect of man's work at an enterprise will be dealt with.

8) If the conception of Human Rights is taken even in its most general form, without going deeply into it, it is even then obvious, that it can in no way originate in the production and economic process. Indeed, this process consists exclusively in the production of goods, and without being limited by anything, it subordinates everything that falls into its sphere, including man with all his interests, to this end. The history of industrial development shows that this fact was not only noted, but was taken advantage of by industrialists. Which meant that those vital human interests which lay outside the actual production process were ignored and abused. This situation, wrong in itself, was aggravated by the fact that industrialists frequently made use of it, as well as of the actual process, to further their own interests, to the detriment of the interests of their workers and society at large. They ignored the creative needs and human dignity of their employees; they took advantage of the production process to appropriate rights which did not naturally follow from it and extended them to other areas at the expense of the rights of others; they appropriated material means belonging to their employees and other members of society.

This is the situation which has resulted from the development of capitalism. It has been acknowledged by many to be wrong, and numerous efforts have been made to change it. Unfortunately, however, almost everything that is being done or suggested to eliminate the destructive side-effects produced by the development of capitalism, also produces similar effects, although these arise from completely different sources. The capitalist, by wielding unlimited power and taking all the decisions, destroys the creative power of the worker and turns him into a cog of the machine,

into a soulless object in the production process. And such the worker will remain if the dictatorship of the capitalist be replaced by the dictatorship of the collective.

For if the main object of the capitalist is profit and power, to which he subordinates the production process and the interests of other members of society, if, in the pursuit of this profit and power he frequently undermines both the process itself and the bases of the society to which he owes his existence, precisely the same is being done today by the workers' collectives, who by their strikes and similar actions manage to get what they demand. The only difference being that in the latter case the forcible disruption of the production process and bases of society takes place more consciously and openly. (All this is mentioned here not with the object of analysing or criticising it, but only because it is directly connected with the production process as such).

9) Insofar as the substratum of Human Rights is not inherent in the nature of the production process, the attainment of these rights by means of the process itself, or by its destruction, is contrary to reason and anti-social and cannot produce lasting results. The rights of man, including those connected with the production process, originate in the realm of man's life and consciousness, outside the realm of production.

But once born – born of his sense of justice – these rights which protect the man accompany him everywhere. They enter also into his place of work, but not to be there notionally or be subordinated to the production process. They are there rather in his defence, to protect him from being swallowed up, 'utilised', and depersonalised by the production process, or by those in charge of it. In this way limitations are consciously imposed on the production process from outside, just as other limitations, linked for example with safety measures, pollution, and so on, are imposed, and just as it is naturally limited from inside by natural resources, equipment, the abilities of workers, etc.

10) The work-relations of those involved in the enterprise, as well as everything which is embraced by the notion of Human Rights and determines working conditions, should be worked out and controlled by an external Legal Body (see **Appendix** for reference to Legal Body). These regulations, constituting a Labour Code, should not contravene the national labour legislation; otherwise they are only determined by the sense of justice of those who formulate them (and of society as a whole).

11) In the event of conflict coming under the terms of the Labour Code, any worker, including the manager of the enterprise, should have the right to go to Arbitration (see **Appendix** for reference to Arbitration).

12) Apart from the administrative and production measures outlined above, it is desirable (or necessary) to hold lectures, discussions and so on that are not directly connected with the production process, but which deal with human and social problems in general.

13) Every worker on joining the enterprise should sign a contract for a fixed period of time with the manager. In this contract should be stipulated the status of the enterprise and those who work in it (the Labour Code forming part of the contract); also the conditions regarding the work of the worker himself which may not be altered before the contract has expired without the mutual consent of both parties. The period of validity of a contract between worker and manager must not exceed that between manager and Initiative Board (see **Appendix** for reference to Initiative Board).

14) A contract should be drawn up between the manager of the enterprise and the Initiative Board for a fixed period, during which the manager becomes in effect the owner of the enterprise enjoying full rights. (The manager of the enterprise, like the supervisors of each of its sectors and like its every rank-and-file worker, must

have complete independence and freedom in his work, obviously with full responsibility for it. For the manager to receive such independence and responsibility and to be conscious of them is possible only if he has a status corresponding to that of ownership for the whole period during which he runs the enterprise). Stipulated in the contract is the status of the enterprise and of those involved in it, including the manager himself. Also stipulated are the conditions of his work and ownership, as well as the conditions whereby his ownership may be terminated before the contract has expired. Without the consent of both parties these conditions may not be altered before expiry. In regard to the status of the enterprise itself, the consent of all working in it is also required.

Working for Others

1) The measures outlined in clause 12 of the previous section should include those that would disclose to the workers one of the most important aspects of contemporary economic life, namely the interdependence of people in present-day society in which everyone works for others and enjoys the fruits of someone else's labour.

2) Every worker should be familiar not only with the entire production process of the enterprise, but also with what happens with the finished product after leaving the enterprise right up to its consumption and during its usage. The measures which provide this information for the workers are organised by the management and applied at the expense of the enterprise.

3) The enterprise, in the person of its management and workers, should not confine itself to mere observation of that part of the economic process which relates to the consumption of its goods. Actually, production and consumption constitute a single economic process, in the course of which a product assumes various forms. There should therefore be a close collaboration in this process between the participants – producers, consumers and distributors – so that the process may be regulated and its viability thereby ensured. It should be possible to achieve a collaboration of this kind within the framework of an Association formed by representatives of these three categories (see **Appendix** for reference to Association).

4) Since an enterprise is also a consumer (of raw materials, half-finished or finished products) the same kind of relationship as would exist with the consumers of the enterprise's products should be established with the suppliers and the producers of the above goods.

Just Remuneration

1) The question of a worker's remuneration is a matter of securing for him and his family a living consistent with human dignity, i.e. a question regarding a man's *right* to such a living. And insofar as the question of remuneration is a legal matter, its principles must be determined neither by the imposition of some personal will, nor by the interests of production, but by the same Legal Body which defines workers' other rights (see clause 10 of the section **Conditions of Work**).

2) Hence it follows that, in the first instance, the concept of 'a living consistent with human dignity' must be given both legal interpretation and basis.

3) An actual amount of remuneration, as well as the price of goods, cannot and must not be established through legislation. But what must be legally enforced is the principle according to which basic human needs are not dependent upon the profitability of production, but, on the contrary, conditions of production are dependent on basic human needs. The satisfaction of these basic needs of the workers, on the one hand, and service to society, on the other, i.e. 'just remuneration' and 'work-

ing for others', are two principles and drives on which an enterprise should be based economically. The realisation of these principles in an economic sense is the criterion for assessing the viability of an enterprise and the competence of its management.

4) The principle of 'just remuneration' may be considered realised in the economic sense when the remuneration a worker receives for the product he manufactures satisfies his needs ('a living consistent with human dignity') for the period during which he manufactures the next product. Should it be a continuous form of production – the modern mass production – the remuneration should cover the whole time he is working at a given enterprise.

5) The remuneration a worker receives today is of two kinds: direct, in the form of regular monetary payments, and indirect, usually in the form of various social services and social security. When drafting the regulations concerning remuneration at the enterprise in question, it is necessary that these should be in accord with the national system of social security, as well as with the system of taxation and so on.

6) In regard to his remuneration, a worker today is concerned merely with its amount and to some extent with the form it takes. He does not comprehend that the disagreements which arise between him and his employer in this matter are due to their failure to understand the real nature of remuneration and to the fact that the forms it takes today do not correspond to this nature. It is generally accepted that remuneration is payment (whether for piece-work or by the hour) which the worker receives for his labour. In other words some person or persons, in their own name or in the name of an organisation or even a state, employ workers to carry out certain work for which they are paid a previously agreed sum.

7) Without entering into a discussion of whether such a state of affairs is justified or not, one can definitely affirm that it is incompatible with the nature of the enterprise in question and should not take place there. Indeed, at the enterprise, there are no employees and employers, but only co-workers involved in common work. Since it is common not in words but in deeds, in accordance with the spirit and letter of the principles embodied in the enterprise itself, the profits from it are also common in the sense that co-workers should not be placed by them in the position of inequality of those who give and those who take. *All of them* give, give of their efforts and skills to the enterprise and, through it, to society. *All of them* take, take from the profits of the enterprise and, through it, from society.

8) As, however, these co-workers' contributions cannot be equal, neither can their remuneration. Every worker, including the manager, should receive a share (a certain percentage) of the profits proportionate to his contribution. The greater a worker's contribution to the enterprise, the greater is the benefit he brings to it, to his co-workers and the whole of society, and therefore the greater must be his share in the general profits.

9) Such a form of remuneration is not only fair and realistic, but ensures a worker's direct interest both in the success of the enterprise and in the success of his co-workers' work, as well as stimulating him to better his own.

10) The share of the workers in the general profits (taking into consideration clauses 1 and 2) should be stipulated in their individual contracts (see clauses 13 and 14 in the section **Conditions of Work**) and cannot be altered before the contract has expired without the mutual consent of both parties.

Appendix*

Most of the measures outlined above go beyond the Enterprise itself. This means that their realisation either can in some way influence existing institutions and order of things, or will itself be dependent on them. And in order that this Enterprise may exist, it is necessary for it – a foreign body – to be grafted on to the existing social organism. Even in the case of widespread approval of such an enterprise and acknowledgement that the principles upon which it is based do lead to improvement and are therefore worth implementing at all levels of society, it would be unrealistic today to count on any appreciable alteration of the structure of society, or, at any rate, upon the adjustment of some of its parts to the Enterprise. But it certainly is realistic and essential also to create certain interim bodies between the Enterprise and the social organism. These would, on the one hand, give the Enterprise what it cannot receive direct from society as it is today, i.e. they would adjust society to the Enterprise; and on the other hand, they would prevent the Enterprise from obtaining anything at the expense of society, i.e. they would adjust the Enterprise to society. Several such bodies are examined below.

The Initiative Board

In principle such an enterprise may be created from scratch, or on the basis of one already in existence, by any group of persons with the opportunity, ability and will. By the creation of an enterprise, in this case, is meant not merely the organisation of a production process, but also the provision for it of a social micro-structure which would permit the maximum realisation of the above principles. Such a structure must be activated not by production forces, which would inevitably subordinate it to themselves, but by an initiative free from any interests whatsoever, apart from one – the welfare of the whole society.

Such an initiative can proceed from a group constituting an Initiative Board which does not belong to, or depend upon any organisation, whether private, public or state-controlled. This external independence of the Board – economic, political and so on – needs to be strengthened by the personal qualities of its members; and, combined, these two factors should inspire confidence in its work and intentions.

Obviously each member of the Board would have various personal interests in various spheres of life, and would be in one way or another connected with various organisations. But these must be such interests and connections and the personalities also must be such that the will and interests of the Board itself should be directed towards the welfare of the whole society, understood as the welfare of its individual members. Only under these conditions will the Initiative Board be able to fulfil its purpose which in the given case is limited to the framework of one enterprise.

The purpose of the Board is to ensure the creation and successful functioning of an industrial enterprise, based on the principles outlined above. In order to fulfil this task the following basic steps have to be taken:

- 1) The Initiative Board receives at its own discretion the material means (in the form of money, equipment, premises, etc.) designated for the creation of an enterprise as defined above.

- 2) The Initiative Board requests the Legal Body to work out, on the basis of the above-mentioned principles, a legal basis for the Enterprise, the status of its

* Examined in this paper are only general principles, not the means and methods of realising them, whether in regard to the Enterprise, the Initiative Board, or the collection of funds, etc. This is not because the means and methods are of secondary importance, but because they depend upon concrete conditions and the people bringing them into effect.

workers, a Labour Code and also the drafting of contracts (see clauses 10, 13 and 14 of the section **Conditions of Work** and 1 and 10 of the section **Just Remuneration**). These regulations are not to be worked out by the Initiative Board itself, not only because of its incompetence in legal matters (its members being selected for quite other capacities than professional), but also because the Initiative Board must not bind the Enterprise to any dependence – economic, legal or other – nor in any way impose on it its will.

3) The Initiative Board must select some person (or group) who in their view would be able successfully to lead and run an industrial enterprise, basing it on the above-mentioned principles.

4) The Initiative Board draws up a long-term contract with this person in accordance with which for the given period of time he becomes, in effect, the Owner of the Enterprise, enjoying full rights. He either receives the Enterprise from the Initiative Board, if it has it at its disposal, or acquires it, or creates it himself using the means obtained from the Initiative Board.

5) The Initiative Board supervises the Enterprise both at the time of its establishment and during the whole period of its existence. This supervision should take a form agreed upon in advance between the Owner and the Initiative Board, and in no instance may it appear as interference in the work of the Enterprise.

6) Should the work of the Enterprise or its Owner take, in the opinion of the Initiative Board, an anti-social turn, or in some way or other come into conflict with the accepted principles, the Initiative Board may deprive the Owner of his status in a manner stipulated in advance in the contract between them.

7) Should the Enterprise for some reason or other be left without its Owner, it reverts to the Initiative Board which must concern itself with the hand-over to a new Owner.

8) The Initiative Board is the initiator for creating the organisations named in this **Appendix** and others essential to the Enterprise, as well as the co-ordinator of their activities. But this initiative must not imply interference in the actual work of the organisations, and co-ordination must not imply that they are bound by interdependence. Moreover, these functions of the Initiative Board, as well as the Initiative Board itself, must be annulled the moment these organisations come into existence and relations between them are established by life of society itself.

9) In return for its work and in order to cover its expenses, the Initiative Board should receive a certain percentage of the profits of the Enterprise, agreed upon in advance with the Owner.

The Legal Body

In principle, such a body could be one of the existing legal institutions, provided it conforms to the following basic requirements:

* The possession of the sense of justice, as required by the Initiative Board.

* Readiness to undertake the formulation, on the basis of the above-mentioned principles, of required legal regulations and also to tackle other legal problems connected with the given project.

* Independence of any other organisations or interests, at least within the framework of the given project.

Possibly the better, or even the only, solution would be not to make use of an existing institution, but to create a special Legal Body. Neither the number of its members (and it may be no more than one), nor its formal status (and there may be none) is of any importance from the standpoint of this project. But its activity must certainly be within the framework of existing laws which must not be contravened by

the regulations it formulates. At the same time these regulations must have juridical force in relation to the Enterprise. But it is the Legal Body itself which can best judge and tackle these matters.

The activity of the Legal Body consists of the following:

1) It formulates, on request from the Initiative Board, all those regulations mentioned in clause 2 of the section **The Initiative Board** and others connected with them.

2) It formulates new legal regulations or changes old ones, verifies whether the work of the Enterprise is in accordance with these regulations and informs the Initiative Board of any legal infringements at the Enterprise.

3) It formulates the legal status of the organisations named in this **Appendix** and others which may have come into being in connection with the project, including its own and that of the Initiative Board.

4) It gives legal assistance to the Enterprise and those organisations requiring it (see clause 3 above). It conducts legal affairs both between the Enterprise and the Initiative Board and if need be between these organisations and 'outside' institutions, including the state.

The activity of the Legal Body may in no instance appear as interference in the work of the Enterprise, the Initiative Board or other organisations. In return for its services to the Enterprise and other organisations, the Legal Body receives remuneration from these organisations.

The Arbitration Body

It would be unrealistic to assume that even when people base their concerted work upon voluntarily accepted legal regulations – those that are best, from their point of view, – that this excludes the possibility of conflicts between them. Therefore, in the event of a conflict, the workers in the Enterprise must have the opportunity of appealing to the appropriate body.

In the case of a conflict coming under the aegis of the national legislation, this will be dealt with by the appropriate existing body. However, such an organ may prove incapable of resolving a particular conflict related to the legal regulations introduced by the Legal Body, just as the existing legal organisations may prove inadequate for the working out of such regulations. To resolve such conflicts a special body may be required – an Arbitration Body. Its activity must be as independent as that of the Initiative Board and guided by the same interests, whatever the difference between their tasks.

The members of the Arbitration Body must conform to the same requirements as the members of the Initiative Board (the same persons might possibly be members of both). It is not necessary that they should belong to the legal profession; they can obtain the advice they need from the Legal Body. But they must know well and understand the principles behind the legal regulations and the organisation of the Enterprise. But the main thing is that they should look upon each worker as an individual in order to solve problems connected with him, not only in accordance with impersonal, though just, regulations, but taking into consideration his individuality and personal interests. Only in this way can the rights and interests of each single individual be protected and, thereby, those of society as a whole.

The status and work of the Arbitration Body must not contravene the national legislation (it is for the Legal Body to ensure that this does not occur). The Arbitration Body, as such, must be recognised by the workers in the Enterprise and its decisions accepted as final. In order that the workers should have greater freedom in the choice of arbitrators, the Arbitration Body may consist of several 'judges' with equal rights; or it should be possible to have several Arbitration Bodies. In return for its ser-

vices to the workers the Arbitration Body should receive from the Enterprise an appropriate remuneration.

The Association

Like every individual person, an enterprise is both producer and consumer in the broad sense. But in order to be able to give, it is necessary to receive, and in order to receive, it is necessary to give.

Thanks to the organisations discussed above, the Enterprise *receives* – receives the possibility of existing in the social organism. And so as to be able to function successfully, it needs also aid and support of another kind.

But once functioning, it begins to *give* – to give its products to the consumer and thereby to society. And just as it was necessary, while establishing the Enterprise, to consider how it could be adapted to society so that it should exist in it and best take advantage of its possibilities, so now it is necessary to consider how to make the work of the Enterprise as beneficial and salutary to society as possible.

An effective measure in this respect might well be the creation of an Association of producers, consumers and distributors, already referred to in clause 3 of the section **Working for Others**.

The Association should in no case be taken as an organ exclusively for observation or discussion. It must be a working body with definite functions, and its decisions must bear upon such weighty matters as the quality and quantity of goods, prices and so on.

However, apart from the considerable obstacles of a practical nature, the creation of such an Association may meet with at least two serious objections:

* The decisions of the Association would be interference in the work of the Enterprise, sometimes even destructive, so that their mere adoption would go against the interests of the Enterprise.

* The weight carried by such an Association in the contemporary economic structure would be negligible; therefore, its effectiveness from the point of view of society's interests, would be nil.

The first objection stems from the customary belief that the interests of people belonging to the three economic categories of which the Association consists are contradictory: the producer wishing to sell his goods at the highest price possible and in the largest possible quantity, with the minimum of efforts and expense; the distributor, who sells the goods, wishing to buy them from the producer as cheaply as possible and to sell them as dearly as possible to the consumer; finally, the consumer, interested in the producer's and distributor's profits being kept down to a minimum, thus ensuring the lowest price, while the quality of the goods being of the highest – a consideration which plays only a subordinate part in the eyes of the producer and the distributor.

This contradiction, which does indeed exist today, is as anomalous and destructive as those between workers engaged in common work. The production of goods is the common work of producers; the organisation of the production process, dealt with above, should therefore be based on this fact. But the consumption of goods is no less a common affair in which all three categories – producer, distributor and consumer – participate, their interests being so obviously interdependent.

The failure, or rather the unwillingness to grasp this, and, more important still, to take practical steps in conformity with this very real fact, is one of the basic and direct causes of those economic and social crises which for many decades have accompanied modern industrial development.

Their common interests and their involvement in a common process having been recognised, people must combine forces to carry it out more successfully. In

our economic-minded society, with its highly developed production, trade and consumption – a society in which everyone belongs to at least two of these spheres – it is only natural to set up Associations composed of representatives from all three so as to control a chaotic and often destructive process.

The size, scope, functions and other attributes of Associations cannot be determined in advance by administrative methods. They, like the Associations themselves, must spring from life itself with the help of man's creative efforts. It is also from life itself that the forms of the mutual relations and co-operation between Associations are worked out.

But it is precisely this that gives rise to the second objection: if it is granted that the existence of Associations within the framework of society as a whole is a matter of expediency, or even essential, then what is one Association able to do when it inevitably comes up against the problems and interests demanding the co-operation of organisations which may be unwilling to co-operate or may not yet have come into existence?

Whatever concrete considerations or arguments may be brought forward in answer to this, one thing is clear: to overcome this objection by means of reasoned argument is impossible. Only the practical work of the Association can do this, provided this work is put on the right footing.

Rightly organised, the practical work of the Association will not only dispel the doubts which naturally arise, but will also bring benefits as yet unforeseen, both to the Enterprise and to society. How the Association will be set up and function, how it will take its place in life, how it will enter into reciprocal relationships with existing organisations or stimulate the creation of new ones – all this will depend upon the actual circumstances and on those who take part in the entire process.

Some concrete measures in connection with the creation and work of the Association could well consist of the following:

1) The Association should be set up through the initiative of the Enterprise, as well as the Initiative Board and other organisations and persons interested in its creation, or wishing to contribute to it.

2) The Association must include people who represent the interests of all three spheres of the economic process in which the Enterprise takes part – representing them both at the point at which the goods of the Enterprise are consumed and at which it itself acts as consumer.

3) The members of the Association themselves (with appropriate aid if necessary) formulate the status of their organisation and define its functions which will naturally, in the course of time, be subject to revision and alteration.

4) At the regular meetings of the Association the representatives of various spheres acquaint one another with their problems, analyse the current situation, work out a policy and measures by means of which they endeavour to blend organically their own interests and those of the whole, and on the basis of this make recommendations and take decisions. These are put into practice by the organisations represented in the Association.

5) The Association must endeavour to involve in its work, or get the co-operation of other organisations which are perhaps not linked with those represented in the Association by direct economic interests, but which share common interests with them because they belong to the same branch of industry, the same economic sphere, the same society.

Other Aspects

The work of the Enterprise and the organisations linked with it involves such a wide range of problems that within the framework of this paper it is impossible even to enumerate them, let alone discuss them. It may, however, be worthwhile to note some of them:

There is the possibility that an enterprise based on the above principles and successfully applying them may turn out to be economically unsound. Such a situation is not only possible, but, given the scale of the entire economic process, inevitable. Moreover, in a healthy social organism there must exist enterprises whose *raison d'être* is determined not by profitability, but exclusively by the demand for their products, the production of which might turn out to be unprofitable in the given economic conditions. This is yet another point in favour of the broadest co-operation in society which in the event of this happening may acknowledge the work of an enterprise to be of vital importance and lend it financial aid from the profits of its other production units. While in the case of the given project, should it not receive wide support, the economic unsoundness of the Enterprise may turn out to be fatal to it. This has to be taken into account by the management of the Enterprise when choosing its specialisation and organising it.

The reverse situation is also possible: the Enterprise brings in profits greatly exceeding expenses and the 'normal' requirements of its workers. Such a possibility will probably be referred to in the contract drawn up between the workers and the Owner of the Enterprise with the Initiative Board. However, it is essential not to lose sight of the fact that the profits made by the Enterprise are based not only on the labour of the workers themselves, but also on the co-operation and aid of many other persons and organisations, of society as a whole. It would, therefore, only be fair that part of these profits should go towards helping society itself or some of its members (possibly towards the setting up of a similar enterprise, or the repayment of loans duly received for the setting up of the given Enterprise).

A man's right to a living consistent with human dignity, referred to earlier, is not only guaranteed by the legal regulations that protect him and by proper remuneration, but is also ensured by the services of various persons and organisations, of which medical care and education are the most important.

A man's rights in regard to these are fully ensured only when he has the possibility of free choice in the matter of 'service' (i.e. of a doctor and teacher), and when it is possible for the 'service' (a doctor or teacher) to act in a free and independent manner in accordance with its own understanding of its tasks and importance. At the present time neither of these conditions is completely fulfilled; and it is only within the framework of society as a whole – if it comprehends how essential it is – that they can be fulfilled fully.

But for the organisers and executors of the given project, guaranteeing the workers of the Enterprise certain inalienable human rights, it would be perfectly natural to endeavour to ensure these rights also. Such ensuring should stem from the comprehension of the fact that, on the one hand, illness, disability or old age may affect, or do affect, each one of us, which is why they are a burden to all society and which is why each one of us must have the same possibilities for obtaining medical care, regardless of his financial means. On the other hand, everyone contributes to society, and a person's development and progress are in the interests of society. Having reached a certain age, what he receives from society will be in proportion to what he contributes, but up to that age everyone must have the same educational opportunities, irrespective of the parent's means (equal opportunities should not be confused with uniformity, the education depending upon the kind of individual he is).

From the standpoint of a person's own means, these rights of his could be ensured in the present-day society if a certain portion of any profits – which after all,

are made by the efforts of society as a whole – were allocated to special medical and educational funds from which every person choosing his own doctor or school for his children could receive the means for direct payment for these services. At the given Enterprise such funds, or similar ones, for the use of its workers could be set up from its profits with the general consent of all concerned.

* * *

It is essential in conclusion to stress that the given Enterprise should certainly not be thought of as a model one, enjoying certain privileges and advantages. One privilege only it asks of society – that it be allowed to exist on the basis of reality, that is, to be the kind of institution in the social organism, in which man's genuine needs find satisfaction and his rights are ensured. Once established, it will, by its example and activity, through its living relations with society, influence it, cleansing it from excrescences of social abuses and injustices, clearing the way for healthy social forces and institutions in which these forces may be active.