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# WHAT IS THE CORPORATIVE SYSTEM?

It Is Suggested As Remedy For Evils  
Of Modern Capitalism

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## WHAT IS THE CORPORATIVE SYSTEM?

THE recent publication of "The Church and Social Order" by the Archbishops and Bishops of the United States has been the occasion of a great inquiry into the theory and practice of the corporative system. Besides stating for Americans the teaching of the Church on ownership, property, wages, security and labor the Bishops laid down general outlines for the establishment of a social order which would make for a betterment of our present condition by the practical application of general moral principles. The remedy they offer is "the reintegration of the social body by means of vocational groups", or, in other words, the gradual adoption of the sane corporative order which Pope Leo XIII and Pius XI advocated in their famous Encyclicals.

It is important to note that the suggested remedy is not a complete political framework that overnight would bring Utopia. It is certainly *not* a form of *totalitarianism* as some very leftist critics would like people to think.

Because Italy developed a false conception of the corporative system through the dictatorship of the Fascist Party, these same critics would have us believe that corporativism means fascism or totalitarianism. They neglect to mention that the Pope, in recommending the true corporative system, condemned such a misuse of it.

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Such a system is, in its essence, a reform movement which recognizes certain roots in capitalism which have given rise to the misery and unrest we see about us today. It is merely a method to overcome these evils and to promote economic democracy among the peoples.

Before we can understand the remedy, we must understand the sources of the evils of our present order. Capitalism was founded on the idea that if men were allowed to conduct their business enterprises absolutely free from any restraints whatsoever, they would give the best service to themselves and to the state.

This liberalistic notion was upheld by the most influential economic thinkers of capitalism's early age, and can still be heard today. This notion, which sounds very well when expounded smoothly, conveniently frees the business world of all considerations of morality, justice and concern for the common good. As long as the businessman himself came out richer, all was well.

Along with this, went the idea of the absolute right of property. The Catholic Church had always taught that property was only entrusted to a human being as long as he makes good use of it, and that the possession of property has a two-fold aspect, one, the right to own it individually, two, the duty to use it in line with the common good of society.

The factory or house owner who refused to install the necessary safety or sanitary precautions on the grounds that the factory or house

was his property and that, therefore, he could do what he liked with it, was conveniently forgetting the second aspect of ownership and was, according to the Church's teaching, not obeying the moral law.

The complete divorce of business and ownership of all kinds from any moral restraints created a situation in which the strong and ruthless could prey upon the weak members of society. The Christian teaching that all men are equal in the sight of God was twisted to support woeful injustices.

The heads of great enterprises which ruined their competitors, oppressed their workmen, and controlled their entire field of endeavor countered any criticism with the statement that since all men were equal, any man could rise in the world as they had done. If pressed further, they would defend themselves by crying that they lived in a free country.

The misuse of the words *freedom* and *equality* has brought us to our present condition, in which the weaker members of society own nothing at all, in which economic dominance is held securely by the few, who use it for their own advantage.

In America, the richest and most progressive country in the world, almost one out of four of our working population is unable to find work. We have large cotton surpluses, and people without shirts; we have idle builders and families without houses. It is not necessary to describe further, since nothing is more obvious

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than want in the midst of plenty. Men seeking power seize upon these obvious evils to foment class war. This, of course, adds to the chaos and may bring far greater evils in its train.

The corporative remedy starts from the basic evils. It advocates a return to ethical standards in the conduct of all business. Instead of holding out individual profit as the be-all and end-all of business enterprise, the common good would be the criterion of action.

This would bring back the idea of a just wage for the working man, that is, a wage that would provide for him and his family the physical and cultural conditions of a good life. Since it is unjust to limit the owning of property to a few, a wider distribution of property would be a necessary condition of a good social order.

Another result of bringing moral principles back into the economic life of the nation, would be the serious attempt to create security for the ordinary wage-earner. Since the wage-earner is a man made in the image and likeness of God, he has a positive right to a just wage, a modicum of security and the ownership of some portion of the world's goods.

If the tonic of such moral principles were injected into the sick body of our social order, the evil effects of class war would cease.

As a machinery to attain such excellent ends, the Bishops point to the corporative system. It is applicable to many political frameworks, for example, republican or monarchic. In each locality, workmen and employers of the



same vocation would form unions in which both groups would actively participate for the good of all. These would band together with all other workers and employers of the same field in the entire nation.

These powerful federations, representing all interests of the vocations, would set standards of work and production to protect the public, and would promulgate and enforce just provisions of work, wages and general welfare for the wage-earner. Even agricultural and cultural pursuits could be organized in the same manner, so that no worker would be left alone and unprotected against injustice. The greater part of the work for social and economic justice would be done by the regional unions of employers and employees, but the state would have to be a watchful guardian of the rights of the weak.

In most modern countries, the state, under capitalism, has been a far more watchful guardian of the rights of the strong. By throwing the responsibilities for the general welfare back on the community organization, a decrease of centralized power would inevitably result.

If, finally, men were represented according to their vocations in one chamber of the government, the interests of all members of society would be more surely taken care of. Workers in the legislature would find some means of bringing the surplus cotton to those who need shirts, and of providing work for idle builders by supplying houses for families without adequate shelter.

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The problem is not insoluble if we throw over a few of the evil principles invented in capitalism's early days to justify the insatiable greed for profits of the few.

As can be seen, this is a very general suggestion, and would have to be modified to fit each country. For example, a highly industrialized country would have a different version from a country whose activities are largely rural. Portugal, the one European country which has experimented with this system, has some unique features to satisfy the needs of her fishing and agricultural populations. These will be explained in a later article.

Whatever good organizations had grown up in a country would of course be the basis for the transition into the corporative system. Labor unions would enlarge their numbers and broaden their functions. The important thing, however, is the return to the principles of justice and morality so that all men may be made partakers, in more even measure, of the goods which are on the earth.

## Rebirth In Portugal—A Glance At The Background

THROUGH many sources, the principle outlines of the corporative state are becoming better known. To those interested in such an organization of society, it is of serious interest to examine its results in the one country that has honestly tried it. Just as the eyes of Communists everywhere turned to Russia to find proof of the results of communistic ideals, so the eyes of less atheistic economists and workers turn to Portugal to see the results of the corporative experiment.

### *Communism And Corporativism Contrasted*

There could be no greater contrast in the world than between the results of communism in Russia and corporativism in Portugal. In Portugal the new state was ushered in first by a peaceful assumption of power from a corrupt governing group; then by the adoption of a constitution through a free plebiscite. In Russia rivers of blood flowed that Marxism might grow. Religion, under the Soviet, has been openly persecuted by killing, confiscation, arbitrary arrest, torture, and anti-religious propaganda. In new Portugal, no religion or race has been persecuted. Christian and Jew prosper together, and their rights are specifically guaranteed in the constitution. "The Paradise of Workers" has gradually reduced every man to the dignity of

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an animal whose stomach should be filled (if convenient), but who, beyond that, has only the right to obey the dictates of a totalitarian government or submit to liquidation. The Portuguese citizen is oppressed by no government but protected by a state which announces in its constitution that all its acts are subservient to the moral law, and that it has a duty to see that the benefits of civilization are made available to all. Instead of starving its citizens by the millions, Portugal is protecting its families by giving them the security of a living wage, proper housing and good medical care. Russia has her enemies roaming about the world seeking the ruin of nations, stirring up discord, as in the United States, and war, as in Spain. It recently waged war upon one small nation and is threatening others. Portugal is giving her citizens the blessings of peace in internal and external affairs, and is true to her mission of bringing Christianity to the world, whether by standing up for right principles at Geneva or by building schools for native children in her extensive colonial possessions.

The contrast between communism and corporativism could be extended to every department of government action, though enough has been said to bring out the main difference between the two systems: communism is destructive, while corporativism is constructive. The results cited above are not accidental, but inevitable since Marxism finds its basis in hate, and corporativism springs from love, from the Chris-

tian conception of the brotherhood and mutual interdependence of mankind.

### *From Retrogression To Progress*

The history of Portugal for the last hundred years had been one of retrogression. By trying to imitate the successes of industrial England, Portugal lost, for a while, her true individuality and found herself burdened by a staggering load of debts to foreigners. She was perpetually in fear of having her colonies taken away from her by more powerful countries, yet was unable to afford even a small fleet to protect them. In 1908, the King of Portugal was murdered by the agents of an international organization. In 1910, a republic was declared by a minority peculiarly active in Lisbon and with strong connections abroad.

To consolidate its power, the "democratic" republicans threw all their opponents into jails. So great was the suffering of thousands of these persecuted people that protest meetings were held in London to petition an amnesty for political prisoners. The accounts written on the spot by Philip Gibbs describing the horrible conditions of these jails and dungeons are a prophecy of what was to happen later in Spain. A systematic persecution of religion was entered into by men who stigmatized the name of democracy by calling themselves democrats. The writer has noted great skepticism of this type of democracy among simple Portuguese nuns, who during the troubled days of the last war, were

driven into exile in Belgium, then England, and even to the United States.

The new leaders fought among themselves for complete power, and revolutions were bloody and frequent. The fortunes of the country fell lower and lower. The misery of the country people grew so acute that they preferred to leave their homeland, and for many years, to use a common saying, the most important export of Portugal was peasants. That was the lot of a nation which had once led the world in discovery and colonization and had owned one of the greatest and most far-flung empires that the world has ever seen.

### *Salazar Most Unusual 'Dictator'*

The people finally got tired of waiting for the promised constructive reforms of the government. In 1926, people of many shades of opinion united and took the power from the inept and corrupt politicians. Not long afterwards, a brilliant professor of economics at Coimbra University was given the task of bringing order into the chaotic finances of his country. This was Dr. Antonio Oliveira Salazar, now Prime Minister of Portugal.

The first thing he insisted upon was a balanced budget. By the heroic cooperation of the Portuguese people, and by a ruthlessly honest administration of funds, this was accomplished. A good start was then made toward reducing the foreign debts piled up by the politicians of earlier regimes. The budget surpluses of the first few years of Dr. Salazar's administration

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formed a bulwark against the depression that came upon the world at that time.

Let us take a quick glance at the constructive efforts of the Portuguese government in these last difficult years. In 1933, a constitution was adopted by plebiscite, and a beginning was made in the corporative organization of society. Portugal had reached its great heights under the ancient guild system, and Portuguese thinkers had long recommended a return to the principles of that system. The response of its people to an honest government, true to the traditions of the country, was immediate. A Statute of Labor was promulgated by the new government and accepted by the people. Labor contracts between employers and employees made for stability in working conditions by avoiding costly strikes and class struggles. Wages were made very much higher and productivity was increased. Unions of workmen spread in a country hitherto poorly unionized. Benefits of wise organization were spread to agricultural and fishing centres through the sponsoring by the government of cooperative enterprises wherever there was need for them. When the active principle of the *common good* was brought back into the economic life of the nation, the effects were startling. Through cooperation toward a common end and with the backing of a watchful government, industrial peace was assured. Due to the more just apportionment of wages, buying power increased enormously. The problem of unemployment, which had threatened to be-

come desperate because of the closing of the doors of Brazil to immigration, was gradually conquered. Now Portugal can boast that as nearly as possible, she has found a constructive solution for the modern world's peacetime nightmare, workers without work.

### *Every Class Has Voice In Rule*

Political order was achieved through vesting power in a president of the republic and in a national assembly elected by the nation. The representatives of the workers unions and employers' associations meeting together in corporations may advise the National Assembly concerning the proposed legislation. Thus far, the corporations do not meet together as a body, but discuss affairs in panels. By their advice, however, they help assure the fact that the interests of the nation as a whole will not be subordinated to pressure by a few, or to politicians' votes. The corporations, representing the entire economic, intellectual and moral life of the nation, will have more power as the corporative structure comes of age.

### *Its Colonies Also Benefit*

A Colonial Act to regularize the administration of the colonies of Africa, China, the Atlantic and Oceania was promulgated. In its statement of the labor and other rights of the natives, this Act is a magnificently Christian and progressive document. Trade between the mother country and the colonies was greatly increased since the advent of the new government. A small navy of very modern ships was built in



England and Portugal to protect these extensive possessions. New Yorkers saw the small, trim "Tejo" in the harbor on the occasion of opening of the Portuguese exhibit at the New York World's Fair in 1939.

*Order And Peace From Chaos*

Order and peace now reign in "the little house of Portugal". The period of national apathy and shame has passed and a consciousness of national pride and high destiny has taken hold of the people. In the previous hundred years, Portugal sank lower and lower in national and international affairs, in spite of the fact that this was a period of prosperity and economic expansion. In a time of world-wide depression, she organized herself slowly and surely under the principles of a corporative republic and has attained a prosperity she has not known since her golden age. For us the importance of this great national renovation and reconstruction lies in the fact that it was based on certain potent and simple truths which the modern world conveniently forgot, but which solid thinkers taught long before the rise of capitalism and will continue to teach no matter what system replaces it.

## Social Security Under The Corporative System

EVERY one of us who depends on wages for rent, clothes, food and the other necessities of life, has had to worry about the steadiness of his income. In America, due to the many abuses of our economic system, we have had to become extremely "social security conscious". It is therefore of great interest to us to see how other systems meet the same problem. In Portugal, where a corporative system of government is being gradually built up, the ordinary working man is finding more and more security in his job and in the conditions of his daily life. We will examine unemployment, wages, working conditions and the state of business.

### *Work Created On Needed Projects*

World depression skips no country today, and Portugal was affected as we were. Her important exports of cork, sardines and wine went down considerably, and of course men lost their jobs. Dr. Salazar, the present prime minister, took office as minister of finances one year before the depression. When he saw the results of the depression, he and his government studied the situation as it affected the working man. Men had to be put back to work without bankrupting an already debt-ridden country. First, many abuses of the old tax-collecting system were swept away; then taxes were made some-

what higher in view of the changed situation. The budget, which the politicians had been unable to balance in almost a hundred years, was balanced in one year through the efforts of a completely honest administration, and a minister of finances who was an economist, not a vote-begging job-seeker. After careful study, the following were found to be among the country's most pressing needs; roads, docks for commerce, houses for working-men and their families, the rudiments of a navy, more national self-sufficiency in the staple articles of food, improvement in transportation facilities through long necessary reconstruction of existing railway lines.

### *Made Country Nearly Self Sufficient*

No project was started without a definite, practical plan. Every plan involved some necessary and basic addition to the welfare of the people and their country. Men were put to work building some of the needed ships (others had to be built in England because of that country's superior technical facilities). Unemployed workers found useful toil in building and improving the Portuguese roads; in tearing down old and unsanitary houses and constructing clean, pleasant dwellings to house a rapidly growing population. The port of Oporto, the industrial city of the north, was improved, and the harbor works of the town of Setubal have been completed. Expensive changes are being executed in the port of Lisbon to help it achieve the importance it should assume as a great Atlantic harbor.

Twelve other less important harbors are included in the scheme for port improvement. The work on these is slowly but surely being brought to completion. The production of wheat, as a single example of government help in the production of staples, has been vastly increased so that the country is now self-sufficient in this regard. Two of the projects vital to the goal of self-sufficiency are irrigation and the erection of storage places for foodstuffs. Both of these problems have been energetically and wisely worked out. The entire plans are not yet in execution, but enough has been done to show that the government has found the correct solution. The government itself took over the improvement of transportation by reconstructing bridges, tracks and other equipment. The results are a great help to trade and tourism in this little country. Today, the Portuguese government can still balance its budget, while pointing with pride to a record of *less than one person in two hundred unemployed*.

### *Freed Nation of Class War*

The solving of the problem of unemployment is only one aspect of Portugal's program for the welfare of the working man. The other aspect is far more important because it is the translation into action of basically sound principles of social reconstruction. The Statute of Labor makes unnecessary the furious class war we sometimes see in the United States because it enshrines in the constitution the idea that man as a human being has rights in regard to a liv-

ing wage, security, and worthy conditions of work. It also sets up an efficient organization to safeguard these rights for every worker in the land.

### *Advances In Social Life*

Working men and women are entitled to a paid vacation the length of which depends on the number of years they have been employed. Provision is made for illness or forced unemployment. Men may not be fired for trivial reasons; thus no man feels at the mercy of an employer's whim. If the employer does not fulfill these conditions, the worker may appeal to the Tribunal of Labor situated in each district. The writer has seen the workers come to the tribunal in their work clothes and tell their story in full confidence that the justice done to their fellows will be done to them. Private companies have been quick to cooperate with the government in providing good medical care, sanitary conditions of work, and in some cases, more adequate housing.

The Statute of Labor also provides that the local unions representing each industry make labor contracts with the employers' associations. These contracts must live up to certain standards and are binding in the locality in which they are adopted. Naturally different localities and conditions call for different terms. The correct carrying out of the terms of these contracts is a matter which is the concern of the Tribunal of Labor. Thus the worker, even in remote dis-

tricts, is not alone and defenseless in his struggle for justice and security.

### *Corporativism Promotes Democracy*

One of the most important things the Portuguese experiment has done is to prove to the world that corporativism is not a cut-and-dried system to be imposed like a shell on the economic and political life of a country. Portugal has proved that corporativism is the application of certain basic principles to economic and social life for the purpose of promoting economic democracy in the modern world. Portugal's own solution of her rural problems is a case in point. In 357 rural areas there is a central *Casa do Povo*, or People's House. Here the small farmer may obtain credit without enriching a bank or money lender. Both worker and larger landowner contribute to the upkeep of the house. Small but regular contributions make possible help to the worker in illness, unemployment, and old age. These centres also serve as posts for instruction and entertainment. These sources of security and enlightenment have, in the few years of their existence, worked wonders in the improvement of rural life. When their possibilities for promoting consumers' and producers' co-operatives are more fully realized, the results will be worth watching.

### *Insurance Against Bad Times*

The fishermen, important in a country with a coastline like Portugal's, have similar centres called *Casas dos Pescadores*, or Fishermen's Houses. One such House that the writer saw

had helped an entire village through a winter of small catches by providing complete medical care, lunches and dinners, clothes, schools and an old men's home. A small proportion from each catch had been put aside in good times so that a large surplus was ready for any emergency. These Houses, run on cooperative lines, are a lesson to other countries in local self-help and self-government. Incidentally, it is as close an approximation of true economic and political democracy as this writer has seen anywhere.

Naturally, there was some opposition to the entire Portuguese scheme from employers who wanted absolute freedom to make as much money as possible without having to join guilds or abide by regional labor contracts. However, when the increased buying power caused by higher wages brought about business expansion during a world depression, their views have shown a change. Many businessmen, in fact, insist that the stability and expansion of business is a tribute to the corporative system. Certainly the rural worker or farmer, the fisherman and the city worker can localize the cause of their new security and higher standard of living.

## Social Works Under A Corporative Republic

In America, we are inclined to think that because we have more cars and bathrooms per unit of population, all progress is ours. It might be surprising to take note of the progress being made in small European countries with far less resources of trade or wealth. In Portugal, besides banishing unemployment and creating security for the working man, a progressive government has inspired or sponsored many activities to improve the living conditions of all wage-earners and their families. These activities include extensive housing developments, a comprehensive plan for medical care, particularly in tuberculosis, more park spaces for the use of children, modern provision for the care of dependent members of society, and the bringing of education and culture to those most remote from the centres of culture.

### *Family Unit Basis of Government*

The Portuguese constitution recognizes the family unit as the basis for the government and as existing before the government; therefore the family as a unit has rights that should be respected and protected. When a housing scheme was planned, this consideration came first. Instead of building apartment houses where human beings are crowded like members of an insect community, it was decided to build a house for



each family. The poor as well as the rich, says the Portuguese government, have the right to privacy.

The houses are of different sizes, comprising 3, 4, 5, 6, and even 7 and 8 room units. Each house has its shower; many have private gardens; all are pleasantly situated and landscaped. The lucky families who live in these houses pay only 10 per cent of their monthly income as rent. That figure, of course, is in striking contrast to the rent-salary ratio of wage-earners in the United States. If a man earns only \$75 a month, he can keep his family in a lovely six room house for \$7.50 monthly. The best is yet to come. Part of this \$7.50 goes to pay an insurance premium, so that if the head of the house dies, the home immediately becomes the property of the family. It is easy to see that this is an enormous step in the protection of the family as a family. In any event, after twenty years of such payments, the house automatically becomes the property of the family.

### *State Protects People From Disease*

By the summer of 1939, 10,000 persons had been accommodated in such projects. Such developments are still under construction, and after a medical check-up, more and more families leave unsatisfactory habitations for these brightly cheerful homes. The writer has seen these clean and happy sections in Lisbon, Oporto, Viana do Castelo and Aveiro. They are to be found in many other districts where the need was felt. Certainly the healthy, economically

secure citizens found here, will bring dividends to their progressive little republic.

Portugal has inaugurated an excellent service in its national campaign to rid the country of tuberculosis. From a large headquarters in Lisbon, all activities are directed and coordinated. In most of the large towns, there is a station to serve the surrounding countryside. Preventive measures are directed from these centres. Examinations are made available to all. Thus the citizenry at large is protected from infection. Modern medical care reaches the poorest fisherman through the cooperatively run Fishermen's House. These Houses employ as many as eight or ten doctors. The pre-natal care given to mothers is excellent. It is surprising to the visitor to see a modern delivery room in an old-fashioned fishing village. Medical care for agricultural workers is often obtained at the People's House that is found in each rural area. For industrial workers, the service is just as thorough. The larger factories employ resident physicians who give not only care during working hours, but general medical attention at a nominal cost. The need now is for more hospitals. Lisbon has some magnificent new structures such as the Maternity Hospital, *Alfredo da Costa*. In the north the hospitals are more crowded, since mar' come for care now who never had a chance at hospital service before. The facilities of the Coimbra University Hospital were taxed to the utmost when the writer visited it. But so acutely

are the members of the government aware of this need that action will probably come soon.

### *Aid for Orphans, Sick and Aged*

So far we have seen only the work done for wage-earners and their families. What about those too old, infirm, or otherwise prevented from supplying themselves with a livelihood? In everytown, there is a central hospital for those who are aged, infirm or unable to work. This is called the "Misericordia." Instead of being the bleak dwelling we often see in the United States, they are often the most distinguished structures of the town.

For orphans there is similar provision. In both cases, there is an enormous amount of private charity, and of course, since freedom of religion has been re-established, the religious orders have found their way back to the service of society's outcasts. To describe the "Misericordias" and other Catholic social works that the writer saw in Coimbra alone, would require a long article. It is interesting to note, however, that one of the biggest orphanages for boys and girls, once had Dr. Salazar, the present Prime Minister, as an active director in the days when he was Professor of Economics at the University. The directress is proud to point out the spot in the ancient chapel where he used to pray every time he paid his visit to the orphanage.

### *Christian Spirit of Charity is Need*

Parks for children can be seen in many parts of Lisbon and in other Portuguese cities. These

sometimes supply winter recreation under expert care for the children of working mothers.

The cultural aspect is not lost in these activities for the betterment of the least favored members of society. To accommodate those whose education was neglected under the bomb-ridden liberal regime, 2,050 centres of instruction for the acceleration of education have been opened. These are often located in the People's Houses. Here come men and women to learn to write, and children from isolated homesteads. As of 1939, there were 46,000 students enrolled at these centres.

For lightening the monotony of work, there are excellent "movies" to be seen at the Peoples' Houses. In the summer, six great trucks travel from village to village carrying their burden of dreams. This is the travelling theatre, inaugurated nearly four years ago for the benefit of the country dweller.

For a poor country, Portugal has done well. To a visitor, the activity on behalf of the working man seems amazing, the results already achieved, more amazing. The fact that all these things have been done with small resources is a proof that it is not more riches that the world needs to satisfy the needs of its peoples, but more of the Christian spirit of charity and more of a desire to serve the common good.

















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