CHAPTER

INTRODUCTORY

It is easy in these times to put the case against any existing institution. Most of us are in a highly critical mood, because we feel that during the last few years things have happened which ought never to have happened, and that these earth-shaking events were not well met and handled, especially on their economic side. We have seen the whole fabric of civilization in danger and a desperate battle raging to save it, and we have felt that, if civilization had been better, and the governors of the nations had been more worthy of their charge, it could never have contained the seeds of such danger, or the seeds ought never to have been allowed to sprout and blossom. During the contest we have seen the best men in all the countries concerned—the best in strength of body, courage and devotion—suffering untold hardships, wounds and death, while the next best and the worst have stayed at home and have in many cases made farge
THE CASE FOR SOCIALISM

fortunes, or greatly increased their wealth. A world crisis which ends in enormous destruction of life and property, and at the same time, in the enriching of many of those who were not good enough, in mind and body, to risk their lives to meet it, seems to be a piece of sheer stupidity and injustice. It is no wonder that many impatient minds are driven to the conclusion that every institution which existed at the time when these crimes and absurdities were perpetrated should be cut down, rooted out and cast upon the dust heap.

In this state of mind a good one in which to set out on the task of mending the breaches that have been made in the walls of the building in which we have lived? Is it wise, because the building has been found not to be proof against the weather, to pull it down in disgust and start making a new one to a new plan and a new system of mechanics which has never been tested and may turn out a home that will not even stand up? Might it not be better to improve the old one? The need for amendment is now admitted by the great majority. The only question to be decided is whether the changes made are to be on lines that have produced a working result; or to be based on imaginative dreams which tell us how much,
better everything might be if we worked under a new system, which has only been sketched in hand outline, about which its advocates have shown much unanimity in disagreeing. They want to see a world in which every one will have a fair chance of a real life; so do most of us. They want to turn everything upside down in order to get it; and they may be right. But, if they are wrong, their experiment will work disaster. If we can get the same result along lines that have been tried; is it, not safer to work along them and avoid this risk?

The present system under which we work and exchange our work for that of others is that commonly described as Capitalism. Under it each one, male or female, can choose what work he will try to do and what employer he will try to serve; if he does not like his job or his employer, he can leave it or him and try to get another. He cannot earn unless he can do work that somebody wants to buy, and so he competes with all other workers in producing goods or services that others want and will pay for. His reward depends on the success with which he can satisfy the wants of others. Whatever money he earns in return for his labour he can spend as he chooses on the purchase of goods and services for his own use or
THE CASE FOR CAPITALISM

For that of his dependents, or he can invest it in opening up a business or industry on his own account, or in shares and debts of public companies, and debts of Governments or public bodies; these securities will pay him a rate of profit or interest if the companies or debtors prosper and are solvent. Whatever money he earns by labour or by investment he can, after paying such taxes on it as the State demands, hand on to any heirs whom he may name.

The system is thus based on private property, competition, individual effort, individual responsibility and individual choice. Under it, all men and women are more or less often faced by problems which they have to decide, and, according as their decision is right or wrong, their welfare and that of their dependents will wax or wane. It is thus very stimulating and brave, and might be expected to bring out the best effort of the individual to do good work that will be well paid, so that he and his may prosper and multiply. If only every one had a fair start and began life with an equal chance of turning his industry and powers to good account, it would be difficult to devise a scheme of economic life more likely to produce great results from human nature as it now is, by stimulating its instincts for gain and rivalry.
to a great output of goods and services and by sharpening its faculties, not only for exercise in this purely material use, but also for solving the bigger problems of life and human intercourse that lie behind it.

In fact, however, this system of Capitalism is at present perhaps more widely criticized and abused than any other human institution. And with some reason, for many of its results have been bad, and there is room for great improvement which criticism can help. But criticism that is bad-tempered and unreasonable will do more harm than good. The people who are working on this great business of producing, distributing, and consuming the world's wealth are, in the mass, ordinary human beings, with the good and bad qualities of ordinary folk. The ordinary man and woman is an honest, good-natured person who, though not too eager to work very hard, does not want to rob anybody else. If this were not so, society could not exist, and progress would have been impossible. If it be true— as some advocates of Socialism maintain—that Capitalists live by robbing workers of goods which they have produced, it is also true that the average Capitalist does not know that he is doing any such thing, and that if once this crime can be
THE CASE FOR CAPITALISM

brought home to him, and he can be not only convicted but convinced, he will be quite ready to give up methods by which he has been preying on society.

The test of an economic system is its success in providing us with a good world to live in. In what sort of a world would it be really pleasant to live? To begin with, there would have to be plenty of good things and nice people. Up to a point, the good things come first, because we cannot live without them. But after our needs have been met in the matter of necessaries and comforts, up to a very moderate extent, the necessity of pleasant people in order to lead a pleasant life among them becomes overwhelming. And people are pleasant to live with who are kindly, generous, honest, unselfish, healthy, keen and fully developed in mind and body. To get such people we evidently need a great increase in the output of material goods. It is, of course, very easy to find many examples of bad-tempered people who are well off, and of others who, leading lives of straitened penury, set an example of saintly behaviour. But it is a safe working rule that if the average human being can have a better supply of commodities and comforts, he is more likely
to be pleasant to live with and to help us to get the world that we are looking for then he is living under conditions of scarcity and discomfort, and for real development we must have leisure and opportunity for education. Moreover, we want not only good things, but beautiful things. Beautiful things and beautiful houses and beautiful cities require more time and better materials in their making than the shoddy goods, sordid houses and dirty and insanitary towns which are so evil a blot on our so-called civilization. If we want a world in which every article we use is well and beautifully made, every house that we live in is well and beautifully built, and every town in which we gather is as beautiful as Oxford or Canterbury, and more so—because modern ugliness has put some foul blots upon these once beautiful centres—if we want all these things we must spare the time to make things well. We must not only be ready to maintain in comfort a large number of people who will give no thought to anything else but the production of beauty in some line or other of industry, we must also light in everybody’s mind the fire of desire for beauty.

In old days a tyrant or a wealthy class or a church was able to produce buildings and
works of art full of beauty or a grandeur which still astonishes us, by means of slave labour or by the devotion of members of a church who built, for example, the mediaeval cathedrals to the glory of God and for the sheer pleasure of building Him a noble house. In these days, economic power is much more widely spread and will be spread still more widely as wealth is better distributed; and we cannot expect to have a really beautiful country unless the greater number of the people know what beauty is and try to arrive at it. It is an open question whether this desire for beauty is a thing that can be taught, but we may be quite sure that we are not likely to get it as long as most of us are concerned only with the narrow problems of making a living, and have no chance of full development of our minds and perceptions. In other words, we want education and facilities for travel on a scale that we have not yet dreamt of. We want everybody with whom we come in contact to be really well taught and really well informed, not necessarily in the way of schooling and book-learning. Many of the most interesting people whom we come across are very deficient in both, but they have been able to have had wide and varied experience, to have
INTRODUCTORY

seen "many men and cities," and to have exchanged ideas with dwellers in many distant lands.

Here again it is easy to counter the argument with examples of homely folk who have never been ten miles from their native village and yet, owing to their powers of observation and sympathy, have made themselves masters of all that life means within a small compass. But these examples of genius working under circumstances of great difficulty do not make it any the less true that it is good for the average human being to roam about the world and submit to the process by which men knock sparks out of one another by personal impact. For all this—education in a much wider sense than has yet been attempted and improvements in human intercourse of which we can hardly yet dream—a great increase is needed in the output of good and services that mankind enjoys.

It will not be enough, of course, unless those to whom these advantages are given make the right use of them. Travel, as it is at present granted to a comparatively small class, often seems to fail lamentably in widening their outlook. The young English Philistine who goes to Switzerland only for skiing and tobogganing,
THE CASE FOR CAPITALISM

and regards the natural beauties of his own country chiefly from the point of view of their adaptability to the purposes of golf links, is not a good example of mental development stimulated by travel. All this has to be granted; but even those who, when travelling, confine themselves most carefully to the hotels and resorts in which they will meet no one, but the most aggressively national spirits of their own nation, do get something from change of air and scene. Plenty of arguments can be brought forward against any attempt at trying to get at a better world in which everybody will be pleasant and more sensible, but there is no need to despair. In spite of all that has happened in the last few years, there are most encouraging signs of an improvement in the outlook of mankind upon its duties to itself.

Little more than two hundred years ago, a Te Deum was sung in St. Paul's, specially composed by Handel for the occasion, to celebrate the Peace of Utrecht which gave England a practical monopoly in the slave trade from West Africa to America. About a hundred years ago, at the end of a war which had shaken and strained England almost as much as the one which we have just gone through, the Income Tax, on the declaration of peace,
was immediately abolished, and the whole burden of a heavy debt charge was thrown on to indirect taxation of articles of consumption, which pressed most wickedly upon the poorer classes. Our ancestors who committed this economic crime were at least as good, according to their lights, as the statesmen of to-day, but they did not understand what they were doing. Probably there are many to-day who would like to repeat the proceeding now; but they could not even suggest it, because public opinion would not hear of it, quite apart from the fact that the widened suffrage would make it politically impossible. On all sides we see evidence of great improvement in what is thought about the manner in which one set of men should be treated by another. Great strides have been made under the Capitalistic era in the direction of making the world a pleasanter place to live in, and though some of them have involved the development of new forms of suffering and disgrace, we can still maintain that the movement has been forward on the whole.

It need hardly be said that this progress that we seek must not be confined to a small class. A really good world to live in implies, not only that we live there pleasantly among
THE CASE FOR CAPITALISM

a set of pleasant people, but that there is no horrible suffering and destitution in the next street or anywhere else, which we have to forget before we can be happy. Wealth in the sense of ordinary welfare and comfort must be not only abundant but well distributed before the world can be a pleasant place to live in for those who have any sympathy with human suffering.

Thus we see that material output, though it is very far from being the end of all things, is of very great assistance in helping to produce the sort of world at which we want to arrive. A certain amount of it is essential to existence, and a great increase in it will help very much, as human nature is at present, to make everybody pleasant to live with in the truest sense of the word, to make the world and all the conditions under which we live beautiful and noble, and to enable all to be educated in the truest and widest sense of the word. It follows, therefore, that in order to get at the world that we want, an increase in material output and a great improvement in its diffusion among all classes, are essential. When we consider the economic system under which we live and alternatives to it which are suggested by its critics, the first question that we have to ask
INTRODUCTORY

is, How far it, and these alternatives are likely to be efficient in this matter of material output. We cannot get a really good world, full of good and noble people, unless we can greatly increase man's power to produce.
CHAPTER II

THE WEAKNESS AND STRENGTH OF CAPITALISM

Among the many drawbacks that mar the system of private ownership of capital, as it has been hitherto developed, an obvious blot has already been noted, when it was observed, some pages ago, that if only every one had a fair start it would be difficult to devise a more stimulating arrangement for human nature as it is with its instinct for acquisition and rivalry. Under private ownership of capital this fair start has not been given. Capitalism, as now understood, is usually regarded as dating from about the middle of the eighteenth century, when what is called the Industrial Revolution began. Before then, the tools of industry were primitive and cheap, and it was comparatively easy for the worker to own his own capital, in the shape of tools and raw material. When machinery came and brought with it production on a great scale in large factories, a great capital was necessary to success, and so the worker and his capital were divorced from
WEAKNESS AND STRENGTH

one another. Some individual or body had to be found, prepared to provide the necessary equipment, and to hire those who had strength and skill to work it.

In the past the position of the owner of capital has been strong, because capital has been generally, if not always, scarce as compared with labour, and, until labour organized itself, the bargaining power of the owner of capital was greater than that of those who had little or no resources behind them. This advantage in the hands of the capitalist, however, is not a necessary part of a capitalistic system. Capital without labour and labour without capital are under modern conditions equally powerless, and in these days labour, with its growing political influence and the sympathy of public opinion whenever it can show a real grievance, is fully able to take care of itself. Moreover there is no reason why the sharp division between the owners of capital and those who work its machinery should be maintained. Under an ideal capitalistic system every worker would be a capitalist and every capitalist would be a worker. And this is an ideal that is quite within the bounds of possibility.

But this is not the only inequality that made
THE CASE FOR CAPITALISM

The race for material success an unfair contest. The owning class not only controls the equipment of industry, but also, by its greater individual wealth, can give its sons, daughters and dependents a better and longer education and bring them up under conditions—in the matter of food, clothing and access to good air—that give them a long start in life’s race. Convention and custom increase the inequality. Certain jobs and positions are actually reserved for those who have had an education that can usually be afforded only by the children of the well-to-do. For instance, only a boy of exceptional cleverness can rise from a primary school to the university degree that is necessary for entry into the learned professions. And many other positions, though there is no such definite bar, are practically reserved by custom and prejudice to those who speak a certain kind of English, wear a certain kind of clothes, and behave with a certain kind of assurance and confidence; all which gifts are only to be acquired at a certain kind of school, or in a certain kind of home surroundings. Luck or ability sometimes enables exceptional persons to overcome these bars. Fleet Street tradition whispers of an unsuccessful plumber who made a great mark as a journalist and a great fortune.
WEAKNESS AND STRENGTH

as a newspaper proprietor, but the story of his failure as a plumber was probably a slander prompted by envy. There is, however, no need to be libellous in order to find scores of men who have risen from the bottom to the top of the ladder of wealth; beginning life with nothing behind them but their wits and their good luck and ending it great owners of capital.

Nevertheless there the handicap is. The well-to-do, under the private ownership of capital, can live, if they have enough of it, on the toll that it takes from production without doing any work at all, and if they want to work have everything made easy for them in the shape of specially reserved posts, and the connections and influence that are so great a help in making a start. It must be a very great temptation to those who are rich enough to be able to idle through life, to do so; and the fact that very few succumb to it shows that some sort of activity is a natural want of a healthy and normal human being. There has been a noticeable change in this respect even within the memory of the middle-aged. The graceful idleness which used to be thought so gentlemanly is now much less popular than it was, and young men of the class that used to
THE CASE FOR CAPITALISM

go to the university as to a social, sporting and
athletic club were approaching life from a much
more serious point of view even before the war.
It is curious to note that in America the
tendency seemed to be in the other direction.
There opinion was apparently growing in
favour of the creation of a leisured class which
would do something in life besides pursuing
dollars. A leisured class that uses its leisure
to do public work that is otherwise done ill or
left undone is certainly a national asset, but it
cannot be denied that under the capitalistic
system there has existed a class of most un-
amicable folk who lived narrow, selfish lives on
wealth that they had inherited, grumbled at
paying taxes, forgetting that if the Government
did not protect them and their property they
would be quite unable to earn a living, and
seemed to expect the whole world to be
managed for their convenience and comfort.
Most of us have suffered from such people, who
are apt to gather at such resorts as residential
hotels. They were generally quite unable to
amuse themselves, and lived lives of unprofit-
able boredom, a nuisance to themselves and to
most people whom they met.

This handicap of inequality was thus in
many cases bad for those who enjoyed it. For
WEAKNESS AND STRENGTH.

Those who started with it against them it must have often been a daunting influence if it affected them seriously. But how far did it do so? The average man surely aims at being moderately successful in the conditions under which he starts. One can, in these matters, only judge from one's own experience. To myself, born into the circumstances of an ordinary middle-class family, it never occurred that I was handicapped by the fact that many people were born with much easier chances of much greater success. There was a road clearly marked out for me. Somehow I had to make a living, and the fact that some people were not under that necessity was not a thing that influenced me one way or the other in approaching the problem. But this may only have been because I was thoughtless or imaginative, and I remember when I was at Oxford hearing a very brilliant man of my year remark that it made him "feel Socialist" when he was starting off to an early morning lecture and saw other men setting out for a day's hunting. In this case at any rate the early recognition of what seemed to be economic injustice had no practical effect in checking effort. My old friend may have felt Socialist, but he went off to his lecture and did his day's
THE CASE FOR CAPITALISM

work, and is now a shining ornament of the Indian Civil Service.

But of the middle class, of course, have no right to talk as if we had any real grievance under the capitalist system. We had quite as much as was good for us, and got an education and tradition that generally stimulated us to make fairly good use of the powers with which we were born. The question must look very different to those who view it when born under conditions of destitution, and have imagination enough to see how great are the disadvantages which this accident brings with it. In this case it must often happen that despairing apathy is a very real clog to effort, and there is small reason to wonder if many of these so born not only feel Socialist, but put much energy and bitterness into working for schemes to reconstruct society on a new basis. If a new basis of society were really going to produce a better life for the community as a whole, most of us would sympathize strongly with this ambition; but doubt on this point is the reason why this book is being written.

It seems, however, that the inequality only has to be lessened in order to modify very greatly, its adverse effect on those who suffer from it most. In America Capitalism has grown
WEAKNESS AND STRENGTH

with a vigorous and perhaps ruthless strength, unchecked by the many feudal and social restrictions which have in this country turned the edge of its power. But owing to the circumstances there ruling, the wealth of the country and the unlimited power of expansion that its undeveloped resources have placed in the hands of its citizens—the way from the bottom to the top has been more open. The traveller there seemed to find himself in a country in which there were no bars between class and class. Those at the bottom looked on those farther up as people who had gone ahead but might be caught up and would be. There was no sense of a heavy handicap. I came in contact in a curious way with this cheerful sentiment when in a hotel in Denver in 1911. A Swedish chambermaid when I was leaving was good enough to say that she was sorry I was going because I was "nice and clean in my room." I asked her if she would like to come and be a maid in my home in England. She declined on inquiring into the possibilities of the position, but added: "I tell you what; I won't come and be a maid in your home, but I'll marry some fellow who'll make a pile, and then I'll come and stay with you." I gave her my card, and I hope and fully
THE CASE FOR CAPITALISM

expect that some day she will arrive, with the husband and the pile in her train.

It thus seems that the drawbacks of inequality are bad for a limited number, both of those who are apparently benefited by them, and of those to whom they are a handicap, but that their adverse effect on the latter can be greatly reduced, if the inequalities of birth and fortune are not allowed to be a serious bar to success in life. When we have granted all this, we have next to consider what are the advantages that the capitalistic system carries with it. In the first place, there is the moral advantage involved by individual choice and responsibility which "make men and women of us," while grandmotherly regulations under State or Guild monopoly would make us into machines. In the second, it is clear that the ordinary man will work harder and better if he knows that the result of his work is going to be an improvement in his economic position and in that of his dependents. For every man to work for all the rest just as hard as he will now work for his own hand is an ideal to which human nature may some day attain; but we have not yet arrived there, and if we try to make things better by assuming that we have, we may put back the clock of progress by a century or two.
WEAKNESS AND STRENGTH

The incentive to effort that is given by the power of acquisition is at present the great driving force that constantly improves man's control over nature. If we took it away we might find not only that the improvement ceased, but that there was a very serious decline in the output of any country that tried the experiment; and we always have to remember that a country's output is all that it has to live on, apart from the accumulations out of past output, which would very soon be exhausted.

From a purely economic point of view the advantage of a reward for effort in proportion to its success seems to be overwhelming. It is true that, as things are, success in production or organization often comes from forcing very questionable goods or services on a stupid and ignorant public. But that is the public's fault for being stupid and ignorant, and what is the alternative? Either an equal reward for everybody whatever the effort made and whatever the work produced—a system that would, as things are, simply mean that an ever-increasing body of sluggards would live on an ever-dwindling and more disgusted body of workers; or else some new device for a reward in proportion to what is called the "social value" of
THE CASE FOR CAPITALISM

the work done. What this social value really means it is hard to say. What is the social value of Mr. Charlie Chaplin as compared with a coal-hewer? And who is to decide the question? If, as seems most likely, it is to be a popularly elected body, their election would be a pretty picture of glib promise-makers competing for the suffrages of those whose power to help themselves out of the general store of wealth they were going to decide. If the deciding body is to be composed of Government officials the results, though less obviously disgusting, would probably be still more unsatisfactory in the end.

This question of the reward of effort is the most difficult problem that one hits one's head against when one tries to grope a practical path through economic theory. If the reward is to be in proportion to the market value of the work done, inequalities that will have bad effects will certainly arise. These bad effects seem on the whole to be preferable to the worse effects on the general output, out of which we all have to live, that are likely to follow from rewarding everybody not for the work that they do but for merely having taken the trouble to be born, like the Marquis in the French farce. The present system can at
WEAKNESS AND STRENGTH

least claim the merit of having worked indifferent well and of being obviously capable of improvement, if the community will only apply a little more sense to the object on which it spends its money. Under the value of our work, like that of everything else, is what it will fetch—that is, what we can get for it out of our fellows. If they are vulgar, tasteless and stupid we can sell them rubbish and grow fat on them, if we happen to be greedy rogues. The fact that many of them are vulgar, tasteless and stupid thus gives greedy rogues a chance of which they make ready use; and so the unpleasant sight is daily seen of greedy rogues bottling on vulgar stupidity, and so getting for themselves all the power and influence that wealth brings with it. And then moralists naturally exclaim that there is dreadful villainy abroad, and that the laws ought to be made much stricter for catching and punishing it; and short-cutting reformers cry out that there is no remedy for such a system except its abolition and the substitution of a new way of rewarding people which shall not in any way depend on the price at which they can sell their work. But surely the true remedy, though a terribly slow one, is for the community to contain a smaller and smaller
THE CASE FOR CAPITALISM

number of vulgar, tasteless and stupid people so that it shall grow continually more difficult for bad work to get a good price.

After all, however we may beat about the bush, the value of anything that has to be exchanged or sold is, and must be, nothing but what we can get for it, whether the thing be our own work or some article that we have otherwise acquired. Economists have obscured the question of value by distinguishing between Value in Use and Value in Exchange, and otherwise surrounding it with subtleties that the ordinary man cannot, and does not want to, understand. The value of anything that I have to sell is what I can get for it, and the value of anything that I want is the amount of my work, or of goods that I possess, or of money that I will give and the owner of it will accept. When expressed in money, value becomes price.

Many things, such as friendship, are most precious possessions but have no value in an economic sense because they cannot be bought and sold, and would lose their real worth if they could. From the confusion that this fact produces the notion arises that there can be such a thing as "inherent" value in an article apart from anybody's desire for it, and thence
WEAKNESS AND STRENGTH

we easily fall into the fallacy which tells us that a thing must be valuable because a certain amount of work and energy have been put into it. Work and energy may be lavished on the production of something that nobody wants, but if there is no demand for it it will have no economic value.

Economic text-books tell us that there are goods, such as air, which are essential to life and so have incalculable “value in use” but are provided by nature to an unlimited extent and so have no “value in exchange.” Therefore they merely confuse themselves and their readers. Obviously nobody will pay for anything that is given to him free, except perhaps the American millionnaire who left his hotel because he was not charged enough to enable him to feel that he was really “having a good time.” Air, when it is supplied by Nature, has no value in an economic sense because no one will give anything for it, and to say that it has a “value in use” because we should pay all that we have for it if it was not there, is only to introduce a quite irrelevant confusion into economics, which is ultimately an inquiry into the terms on which men produce and exchange goods. When and where air is scarce it is paid for. The Central London Railway
THE CASE FOR CAPITALISM

has, to the great benefit of its passengers, paid for a system by which its tunnels are supplied with air, and seaside lodging-house keepers make a handsome harvest out of Londoners, who come to stay in otherwise most unattractive spots in order to breathe sea-air and get the London soot out of their lungs.

Value is merely a question of the extent to which somebody wants a thing in relation to the extent to which its present owner wants to keep it. It thus depends to a great extent on place, since an article, that is a drug in the market here may be scarce to the point of preciousness somewhere else. As was well shown by the answer of the Scotch drover when a Londoner remonstrated with him for the prices at which he was selling his beasts at a Highland fair, and told him that if he took them to Smithfield he would get twice the money for them. "Very true," said the Scot; "and if I could take Loch Lomond to Hell I should sell it for half a crown a glass." Value, then, is what we can get for a thing or what we have to give for it, when we work, as practically all of us do now, in co-operation with our fellows, making something or doing something that they will pay for and using their payments to us in paying for work that they
WEAKNESS AND STRENGTH

do. If we were self-sufficing and made everything that we wanted for ourselves, value would still be determined by the same principle because we should still have to decide how much of our work and exertion was worth putting into the production of any article that we desired. It would still be a question of the degree of desirability and the amount of effort that we were prepared to give in exchange for an object that we wanted.

If then the value of everything that has to be exchanged is the sum of things that we can get for it, how is the basis of exchange to be arrived at? Capitalism leaves the question to be decided by competition, so putting the ultimate decision concerning the price of any article of common use into the hands of the average consumer. The consumer cannot, of course, say that he will have an article at a price at which it is impossible to produce it. But he can, under Capitalism, say that if he cannot have it at a price he will take something else instead. "Whoever ultimately fixes Prices," said the New Age of August 14, 1919, "controls thereby the distribution of the wealth of the world." Under Capitalism this power is given to the average consumer, and this is an enormous advantage on the side of Capitalism.
THE CASE FOR CAPITALISM

as compared with any other system that has yet been devised. For it means that we have to work to satisfy the wishes of our fellows, as expressed in their demand for goods and services. Their demand may be ill-judged and faulty, but it is real and human, and it is the expression of individual choice freely exercised. Under State Socialism the value of our work—what we could get for it—would apparently be the reward which Government officials thought fit to award to us. We should be working not to please the ordinary human being with all his faults and foibles, but to earn the approval of an inspector, whose decision would be based on rules and formulae drawn up and enunciated and annotated in offices tenanted by beings who, from the nature of their duties, would be more or less out of sympathy with common humanity. Under Guild Socialism, as will be seen later, every guild would apparently work largely according to the fancy of its members; and how they would arrive at a decision of the value of the work so done—that is at a basis on which their products should be exchanged—is one of the many problems that the advocates of the system do not seem yet to have fairly faced.

Capitalism leaves the question of the value of
work done to the buyer, that is to the average consumer. It is thus much more truly democratic and in favour of freedom than either of the rival systems. Under it nobody can earn a penny unless somebody else wants his work. It may be thought that the capitalist, or the manager who organizes production on the capitalist's behalf, has the final say as to what goods shall be produced, and this delusion is at the bottom of much of the talk that is heard nowadays about the tyranny of capital and of its ruthless decisions about the objects to which the labour that it hires is to be devoted. But the capitalist and the manager, unless they are continually successful in meeting a public demand for the goods that they produce or distribute, will very soon be in Queer Street. If the capitalist puts his money and the manager his organizing power into turning out or turning over goods that nobody wants, there will be no interest or profit for the former and no salary for the latter. Value under the capitalist system thus depends directly on the popular voice, and will do so more and more as wealth is better distributed, as we hope and are determined to see it. At the same time, the tastes of the minority are not neglected, because under competition a minority that is large enough to
THE CASE FOR CAPITALISM

Express an effective demand will get it satisfied. To make the system work really well and only give good rewards to good work, it is thus only necessary to train the great mass of individuals who make up the popular voice to judge better concerning the things that they want to buy. This is a long and difficult process, but it works side by side and hand in hand with real progress, which can only be got by creating a community composed of individuals who are good and sound in every sense. No rearrangement or rebuilding of systems and institutions will do any good that fails to produce good and sound men and women, any more than the most cunning cooking-stove will make a good omelette out of bad eggs.

Capitalism then is essentially democratic. State Socialism would hand us over to the regulation of the impenetrable and elusive bureaucrat. Guild Socialism would leave the consumer to the tender mercies of producing Guilds. Capitalism puts the real power in the hands of the average consumer, and so suffers from and rejoices in all the weakness and force, all the hopefulness and despair, that are associated with democracy. If democracy wins its battle by producing a race of men fit to work, it, then its victory will cure the worst evils of
WEAKNESS, AND STRENGTH 43

Capitalism. If will no longer be possible for providers of rubbish to make fortunes by selling it to fools, or for company promoters and swindlers and "sharepushers" to found county families out of the gains of fraud at the expense of silliness, or for unnecessary middlemen to take toll on what we consume because shopkeepers do not know their business, or for advertisers to wax fat because buyers do not know their wants. But Capitalism as it might be, is a subject for a later chapter. At this stage of our inquiry it is enough to have shown that by giving the word of command to the average consumer it is based on democratic principle, and will stand or fall with the success or failure of that principle in justifying itself.

If democracy fails and we go back to Divine Right, not of kings but of bureaucrats or guildsmen, then to those of us who believe in freedom it will not be a matter of great moment under what economic system we have to live.
CHAPTER III

THE ESSENTIALS OF PRODUCTION

It has been shown that under the competition which is, or has been, the corner-stone of Capitalism, the value or price of articles sold is finally decided by the consumer. (Whether Capitalism is committing suicide by destroying competition is a point that will have to be discussed later.) But the price obtained has to be shared among several parties who, under modern conditions, work together on the process of production. And so before we proceed to consider in greater detail the case for Capitalism as compared with its suggested rivals, it is better for us to arrive at an understanding of the essential articles and qualities which are required for production, and have to be paid for, under whatever system production is carried on. These may be tabulated as follows:

1. Strength and skill.
2. Tools, material and time.
3. Management.

4. Readiness to face failure.

Concerning No. 1 there is no need to waste many words. Under the curse of ‘Adam,’ a certain amount of toil, involving physical strength and aptitude for the task in hand, is involved continually in mankind’s effort to improve the productive powers of nature by working on them. As mankind improves the machinery and equipment which it brings to bear upon this problem, the need for physical strength is lessened, and the need for skill is varied. Less craftsmanship is required now in making a pair of boots than was the case three centuries ago, but more mechanical skill is needed in the management and application of machinery.

Under our second heading—Tools, Material, and Time—very important considerations are included. The word tools is used in the widest sense of the word, implying not only all forms of machinery, but the factories in which they are set to work, and the ships, railways, wagons, and other equipment of transport by which the raw material is brought from the place where it is grown or produced, and the finished product is carried to the consumer. These tools have not only to be provided in order that industry
THE CASE FOR CAPITALISM

may last, but also to be maintained in working order, and provision has to be made for their renewal when they are worn out or superseded by a new invention. Time is also a highly important element, because this need for time is one of the most striking requirements which mark the work of man as an industrial animal. The wild beast gets its food and eats it. In providing its material needs, it makes no alteration in the stuff which nature or its hunting skill provides, but consumes it then and there. It may watch for days for its prey, but having caught its hare it confines its further efforts to eating and digesting it. Man takes the goods which nature provides, and subjects them to an elaborate and often very lengthy process before he has changed them into articles which he regards as desirable for consumption. He builds ships that sail the seas for years, and railways that may last for centuries, to carry materials and goods from place to place. Nearly everything that we consume is provided for us and despatched to us with the help of work that has been done long ago, perhaps before we were born. There is then the necessity that during the process of production those who are at work on it should be fed, clothed, housed and otherwise provided for out
ESSENTIALS OF PRODUCTION

doing is not yet turning out an article ready for consumption, and may only be producing articles, such as machinery or ships, that will not be consumed, in the ordinary sense of the word, but used in the processes of further production, or of distribution.

The third heading, Management, implies the precious quality of judgment concerning the purpose for which the machinery of production is set going, the organization by which it is made most efficient, and the means to be taken for disposing of the product in the market where it is most wanted and will fetch the best price. In the complications of modern industry, this is an affair requiring the highest possible skill and foresight. It is not enough to set a large number of people to work to produce an article; the manager or designer has to do his utmost to be sure that the article as produced will be such that somebody else will want, and also to see that it is brought within the reach of the possible buyer. If it is not wanted, it will have no economic value, because nobody will give goods and services in exchange for it, and the whole process by which it has been produced will have been a waste of labour, materials and time. If the article is wanted, but those who want it do
THE CASE FOR CAPITALISM

not know how and where to get it, the same result occurs; and under modern conditions the selling of an article is often a more difficult and costly business than producing it. (See The Laws of Supply and Demand, by G. B. Dibbée.)

This brings us to our fourth heading—Readiness to Face Failure. This risk of failure is clearly involved in any process of production; it may happen either because, owing to faulty organization or lack of skill in applying the tools to the raw material, the process of producing the required article has failed. Again, it may happen that, though on the mechanical side the process has been entirely successful, yet, owing to a change in demand on the part of consumers, the product is not wanted. Or a miscalculation concerning the cost of making, or the price that buyers will be prepared to pay, may make the whole work unprofitable, because the article cannot be sold to the consuming public at a price which will repay the efforts of those who have put their work into its production.

Under whatever system production is carried on, these items in the bill have to be met in one form or another.

Under our present organization, No.
Strength and Skill, are provided by labour in return for wages. One of the most hopeful signs of the soundness of present public feeling, in spite of hysterical symptoms on the surface, is the general recognition that hitherto—before the war—the wages of labour were on the whole inadequate and that there can and should be no return to the pre-war level. The question of the claims of the wage-earner will be dealt with in a chapter to itself.

No. 2, Tools, Material and Time, are provided by capitalists in return for interest.

No. 3, Management, by organizers and managers in return for salaries; and

No. 4, Readiness to Face Failure, by capitalists of a venturesome type, adventurers and ordinary shareholders, in return for profits and dividends.

Labour and management are paid first; then capital takes interest; then the ordinary shareholder or whoever divides the balance takes what is left, if any, or goes without profit if the enterprise fails.

Payment for all four is provided by the consumer, if he consumes. If he does not, and failure is so complete that not even wages of labour and salary of management are provided by sales of the goods produced, then the
THE CASE FOR CAPITALISM

The adventurer or shareholder has to make his gain good besides losing all his profit. The providers of Nos. 2, 3, and 4 shade into one another, and are often lumped together as capitalists. It may sometimes happen that they are all provided by the same person, who puts capital into a business by owning the factory, machinery and tools required for producing the necessary article, organizes and manages the industry, sees to the selling of the product, advances the money out of which the wage-earners are paid during the process of production, and takes upon himself the risk of the whole loss, in case of mistake or miscalculation, claiming in return for this risk the whole profit, if any, that is left over, after paying for the raw material, providing for the depreciation of tools and machinery, and paying the wages of those who work for him. Nevertheless though these things may all be done by one individual, the earnings that he finally puts into his pocket, if any, are still derived from three different sources, that is to say, interest on capital, salary for his work as organiser, and profit as reward for the risk which he has run.

It is very necessary to get these distinctions clear, because a great deal of fallacious theory
ESSENTIALS OF PRODUCTION

has been based upon the assumption that capital and labour are the only essentials required in production. Labour is frequently used in different senses according to the confused and confusing habit of economists of using the same word in different meanings in different parts of their work. Adam Smith apparently used it as covering all the activities of mind and body required for production. In this sense it covers, of course, the work of the unskilled labourer, the skill of the skilled labourer, and the organizing capacity of the manager. In these days when people talk of labour they more commonly mean the labour of the weekly wage-earners, skilled and unskilled, applied to production. In this meaning of the word the claim that is often made that labour is entitled to the whole of its product is clearly an absurdity, if it means that manual labour can by itself be considered responsible for the whole of an article produced under modern conditions. If it only means that labour is entitled to all that it, by itself, produces, then, as we shall find later, labour gets all this and a great deal more.

Capital we had to divide into two classes according to the extent of the risk that
THE CASE FOR CAPITALISM

It takes: In fact a certain amount of risk is involved by every investment in industry. But the risk may be reduced to a negligible minimum, in the case of a first charge on the earnings of a great railway company, and may range up to a level requiring a great deal of speculative courage, or recklessness, in facing it, as in the case of the shares in a mining company or in a company formed to work a new patent or an untried industry. Capitalism has ingeniously provided different kinds of securities to suit the taste of investors and speculators. For those who want security chiefly it gives what are called mortgage bonds and debentures, investors in which are not shareholders in, but creditors of, the company which issues them. In this case, if the company is prosperous and sound the risk attached is almost nil and the rate of interest is accordingly low. Preference securities are a compromise, ranking behind the creditors and before the ordinary shareholders, who, usually come last and take whatever profit is left after all claims on the company have been met, or pocket the loss of their profit and their capital if the company is a failure. They are, thus adventurers and speculators, risking what they put into industry
ESSENTIALS OF PRODUCTION

on the chance of a fat reward in case of success.

It has been wittily said that the speculative investor dines well but sleeps badly, while the prudent investor, who takes low interest and little risk, sleeps well but dines badly. If there were not plenty of people prepared to take speculative risks, industrial progress would be impossible because no new venture could be tried. Capitalism is sometimes criticized because of its long tale of unsuccessful ventures. If their failure is due, as it often is, to swindling of recklessness, the criticism is sound. But in so far as it is due to genuine attempts at new ventures that fail, this failure is the price that is paid for progress. Under Capitalism this price is paid by speculators. Under the various suggested forms of Socialism it would have to be paid by the community, and there is consequently some danger that it would not be paid readily, and that therefore there would be little progress; because officials, with no incentive in the shape of profit before them, would be very shy about embarking the labour of the community, or of Guilds, in ventures whose failure would involve them in blame.

After what has been said above about the difficult task of the manager there is no need
to insist on the necessity for paying for his services. Business men continually complain nowadays of the difficulty of finding men with initiative and readiness to take responsibility. Under any system this need to reward good management would have to be met, or the community which failed to meet it would very soon find that it had perpetrated a bad economy.

Whatever analysis one adopts in trying to arrive at all the factors which have to be put into an article of modern consumption, it is always impossible to avoid a certain amount of confusion, owing to the complications which make one item shade into another. Perhaps we shall get a clearer vision of the matter if we imagine what might have been possible under primitive conditions of production, with one single individual providing or undertaking all the four essentials that have been enumerated above, and also being himself the consumer of the product when turned out.

In other words, we have to go back to Robinson Crusoe, and though there are very sound objections to what is called Crusoe economics, it does seem to be possible to get some clearness in that way before the problem is complicated by a considerable number of people being involved in the difficult question
of sharing the product or its price when produced. We can then imagine Robinson Crusoe on his island fishing off the rocks with a string and a hook and a bait, with more or less success, for the fish which come inshore. He then comes to the conclusion that it will be worth while for him, in order to fish more easily and quickly, to build himself a boat; but first of all he has to consider whether the work which he will put into making the boat might not be better applied to tilling his land, and so improving its output of cereals, or into improving his bows and arrows, or any other weapons with which he goes hunting, or whether it would not on the whole be better to continue to go on as he is, and trust to the variation of his diet by the simple method of fishing off the rocks as he has done before. In other words, he has to consider whether the time and work that he is going to put into the project will repay him, whether the boat which he is going to try to build is likely to be seaworthy, and whether it will really be true that by going a little further away from the shore he will be able to increase materially his power to catch fish.

If he decides that on the whole it is worth while to carry out his design, he will have to
THE CASE FOR CAPITALISM

make himself the best apology he can for the necessary tools, put his boat together out of the rough planks which he is able to fashion, get his boat into the sea, himself into the boat, do his fishing, and bring the fish home and eat them. He will then have applied strength and skill, will have got the raw material, made his tools, and given up his time during the passing of which he will have to be feeding himself out of accumulated stores of food. He will have taken the risk of the boat being unseaworthy, and of the fish being no more amenable a little way out from the shore, and of their being less pleasant to eat than those which he caught inshore. When a man is thus working on his own account, he is as near economic freedom as any one can expect to be in this world, who has not a store of accumulated capital to live on. He would only have to consider his own tastes and his own inclinations in organizing his economic activities; and yet we find that even in these circumstances, he is not able to free himself from any of the complications of production that have been enumerated above.

Although he knew when he started out on this project for improving his supply of fish that his desire for this form of diet was sufficiently strong to make him do the work and
ESSENTIALS OF PRODUCTION

give the necessary time, it is still possible that when he has done it, some change in the condition of his gastric juices, or perhaps the chance discovery of a pleasant fruit that he finds growing freely on the island, might make him much less eager for fish than he was, and may thus induce him to leave the boat to rot which he had so painfully produced at the expense of his leisure, or of economic activity, which he might have put into other enterprises. Thus even though the whole project as he thought it out was perfectly sound from his point of view, yet even the economic Crusoe, working with no one's feelings to consider but his own, cannot free himself from the possibility of failure, owing to a miscalculation of his own market. Complete freedom in an economic sense is in fact very rarely obtainable for any individual, with the exception, as we shall see, of the modern capitalist under certain unusual circumstances.

It is important that these truisms should be borne in mind, because there is a tendency in these times to blame the framework of society as it is at present constructed, for the lack of economic freedom enjoyed by the vast majority of its members. Crusoe's case has shown us that under what are called natural conditions,
THE CASE FOR CAPITALISM

economic freedom is almost impossible. Except in climates where food is provided by nature and clothes and shelter are unnecessary, a man must work to live. A great deal of bitterness between one class and another has been caused by the frequent use of the phrase "wage slaves," as describing the position of the manual workers who work for weekly wages. The wage slave in fact works side by side with the salaried slave, who depends upon his employer's, and finally upon the public, for earning his salary, the professional slave, who depends on his patients or his pupils or his clients for his fees, and the interest slave, who depends on those who make use of the capital which he advances to industry for the earning of the interest on which he lives, and with the profit slave, who depends more precariously than any of them on the success of the project which he has financed, in earning from the public a price which will satisfy all the charges which have been put into producing it, and leave something over for him who takes the balance.

Among these various classes of "slaves," the least risk is taken by the capitalist pure and simple—that is to say, by the investor who confines himself in his choice of invest-
ESSENTIALS OF PRODUCTION

ments, to debentures and other first-charge investments. If he is careful enough, he may for all practical purposes eliminate all risk from his investments, and so secure himself complete economic freedom, subject always to any violent change in the constitution of the economic society which might deprive him of all his property, and of all claim upon the industry which he has helped to create. Apart from this risk, we may say that the capitalist who is really cautious and careful in his selection of investments in industry from the point of view of security alone, and gives up all thought of any share in any extra prosperity in the business, may come as near as possible to securing economic freedom. But this freedom would only be attained by earning a comparatively low rate of interest on his capital, and he would still be liable to considerable variations in the actual buying-power of his income, owing to changes that might happen to the general level of prices, owing to currency arrangements or failures in production. In fact, the experience of the War has shown how great is the risk to which even the "gilt-edged" investor is exposed. For it is those who had to live on fixed incomes, who have suffered most severely from the rise in
THE CASE FOR CAPITALISM

the prices of all that they had to buy, the great increase in direct taxation, and the great fall in the market value of their securities. But the question of the capitalist's claim to the limited but substantial economic freedom that is his, is big enough for a chapter to itself.
CHAPTER IV

THE CAPITALIST THIEF

In the last chapter we saw that many essentials to production have to be provided under whatever system production is carried on. Among these were raw materials, machinery, equipment of all kinds, a factory and a place to carry the work out, railways, ships, etc., to carry the product to market, the food and subsistence of the workers during the time that elapses between the beginning of production and the sale of the product, and finally provision against the risk that the product when finished may not suit the views of the consumers who are asked to buy it. These essentials are provided by capital. Somebody with money in his pocket buys these things for industry instead of spending it on himself. Thus at first sight he seems fully to earn the interest and profits with which he is rewarded, if, and only if, the services that he and his manager
THE CASE FOR CAPITALISM

render suit the views of the consuming public. It is therefore rather startling to find a considerable school of thought which appears to regard the capitalist as a thief, and the capitalist system as one of organized robbery.

In a book in favour of National Guilds called Self-Government in Industry, on page 235, Mr. G. B. H. Cole remarks: "To do good work for a capitalist employer is merely, as we view the situation rationally, to help a thief to steal more successfully." Other Guild champions are equally explicit. Messrs. Reckitt and Bechhofer in The Meaning of National Guilds allude to the "felony of Capitalism" as if it were a self-evident truism.

Mr. Cole is no street-corner spouter, but a cultured and highly-educated writer, and some time a Fellow of Magdalen College, Oxford. When such a man calmly assumes without attempting to argue the point that the capitalist is a thief, it is inevitable that many honest people who live on the interest of capital, without dreaming that they are doing anything wicked or dishonest, should feel themselves pulled up short by the question—Are we really thieves and parasites living on the labour of society, without any right to the enjoyment of goods which we are consuming, and, if so,
THE CAPITALIST THIEF

What ought we to do? Let us look into this question.

Capital is usually described by economists as wealth devoted to production, that is to say, it consists of goods which are used not for immediate consumption, but in order to increase the productive power of the community and to earn interest or profit for those who own the capital. If a man earning £1,000 a year puts the whole of it into providing himself with comforts and luxuries which his income enables him to enjoy, he does not increase his own capital, or the productive power of the community. If he puts aside £200 or £300 a year and invests it in industry, it means to say that his wealth, instead of being immediately consumed in the form of the pleasures of foreign travel, or the possession of a motor-car, or a billiard-room, or a lawn tennis court, contributes to the erection of a factory, or the opening up of a piece of land, or of the building of a railway or of a ship, so that the productive power of mankind is increased, or transport facilities are made cheaper and better. The production to which this saved wealth is thus applied is expected to yield a revenue to those who employ it, and usually does so. If it did not, people would obviously leave off this applica-
THE CASE FOR CAPITALISM

The question of wealth to the furtherance of industry. But when there is a failure in production owing to some mishap by which the product has not turned out right, or does not suit the view of the consumers, the capital is lost and its owner receives no reward in the form of interest or profit.

Nowadays, though a certain amount of capital is invested by its owners in businesses which they themselves conduct, the more usual channels in which capital is placed are investments in land or in the securities of Governments and Municipalities, or of Joint-Stock Companies formed to carry on some enterprise. The income received by the capitalist consists of rent when the capital is placed in land, and of interest and dividends when it is placed in securities of Public Bodies or of Companies. The question then which we have to consider is this: Is the rent and interest received by capitalists from their investment in land and securities a form of robbery by which they blunder the community?

Let us take the question of rent first, though I hope to show that the difference between rent and interest is one of degree and not of essence—they are merely different forms of payment to the owners of property for the use
of it by those who need it. With regard to rent, an interesting and incisive attack on it by Mr. Bernard Shaw is to be found in the first chapter of the Fabian Essays on Socialism.

"Let us," he says, "in the manner of the political economist, trace the effects of settling a country by private property with undisturbed law and order. Figure to yourself the vast green plain of a country virgin to the spade, awaiting the advent of man. Imagine then the arrival of the first colonist, the original Adam, developed by centuries of civilization into an Adam Smith, prospecting for a suitable patch of Private Property. Adam is, as Political Economy fundamentally assumes him to be, 'on the make;' therefore he drives his spade into, and sets up his stockade around, the most fertile and 'favourably-situated patch he can find.' . . . Other Adams come all on the make, and therefore all sure to pre-empt patches as near as may be to the first Adam's, partly because he has chosen the best situation, partly for the pleasure of his society and conversation, and partly because where two men are assembled together there is a two-man power that is far more than double one-man power. . . ." These Adams, too,bring their Cains and Abels, who do not murder one
THE CASE FOR CAPITALISM

another, but merely pre-empt adjacent patches,” and so as the process of occupation goes on, and as new-comers still pour into the land, “there is nothing for the new-comer to pre-empt save soil of the second quality. Again, division of labour sets in amongst Adam’s neighbours; and with it, of course, comes the establishment of a market for the exchange of the products of their divided labour. Now it is not well to be far afield from that market, because distance from it involves cost for roads, beasts of burden, time. . . . All this will be saved to Adam at the centre, and incurred by the new-comer at the margin,” and so Mr. Shaw estimates the annual value of Adam’s produce at £1,000, while the annual produce of the new-comer on the margin is £500, with equal industry on the part of Adam and the new-comers, so there is a clear advantage of £500 a year to the first comer, which is economic rent. “The two men labour equally, and yet one gets £500 a year more than the other through the superior fertility of his land and convenience of its situation. . . . Why should not Adam let his patch to the new-comer at rent of £500 a year? Since the produce will be £1,000, the new-comer will have £500 left for himself, or as much as he
THE CAPITALIST THIEF

can obtain by cultivating a patch of his own at the margin; and it is pleasanter, besides, to be in the centre of society than on the outskirts of it. The newcomer will himself propose the arrangement; and Adam may retire as an idle landlord with a perpetual pension of £500 rent. The excess of fertility in Adam’s land is thenceforth recognized as rent, and paid, as it is to-day, regularly by a worker to a drone."

Mr. Shaw proceeds to a further development as inhabitants pour into the country until the outermost belt of free land is reached, upon which the yield to a man’s year’s labour is only £400. "Clearly now the rent of Adam’s primeval patch has risen to £900, since that is the excess of its produce over what is by this time all that is to be had rent-free. But Adam has yielded up his land for £500 a year to a tenant. It is this tenant accordingly who now lets Adam’s patch for £900 a year to the newcomer, who, of course, loses nothing by the bargain, since it leaves him the £100 a year with which he must be content, anyhow. Accordingly he labours on Adam’s land; raises £1,000 a year from it; keeps £100 and pays £900 to Adam’s tenant, who pays £500 to Adam, keeping £400 for himself, and thus also becoming an idle gentleman, though with a
somewhat smaller income than the man of older family. It has, in fact, come to this, that the private property in Adam's land is divided between three men, the first doing none of the work and getting half the produce; the second doing none of the work and getting two-fifths of the produce, and the third doing all the work and getting only one-tenth of the produce."

And then, later, when the land is all filled up, there comes in a still further supply of newcomers, "a man in a strange plight—one who wanders from snow-line to sea-coast in search of land, and finds nothing that is not the property of some one else...the first dis-inherited son of Adam, ... who is himself for the moment foodless, homeless, shiftless, superfluous and everything, that turns a man into a tramp or a thrall. Yet he is...able to deal puissantly with land, if only he could get access to it... What if the proletarian can contrive—invent—anticipate a new want—turn the land to some hitherto undreamt-of use—wrest £1,500 a year from the soil and site that only yielded £1,000 before? If he can do this, he can pay the full £1,000 rent and have an income of £500 left for himself. This is his profit—the rent of his ability—the excess of its produce over that of ordinary stupidity."
But there also come other proletarians who are no cleverer than other men, who do as much but not more than they. In the meantime, owing to division of labour, the use of tools and money and the economies of civilization, man's power of extracting wealth from Nature is greatly increased, so that the produce of land on the margin of cultivation may rise considerably; if we suppose, the yield to have doubled, then the proletarian who is not clever "can very well offer to cultivate the land, subject to a payment of, for instance, £1,600 a year, leaving himself £400 a year. This will enable the last holder of the tenant right to retire as an idle gentleman, receiving a net income of £700 a year, and a gross income of £1,600, out of which he pays £900 a year rent to a landlord, who again pays to the head landlord £500."

This picture, so brilliantly drawn by Mr. Shaw, is, of course, largely fanciful. In the first place, he begins by assuming, as quoted above, a country with undisturbed law and order, and a vast green plain virgin to the spade waiting the advent of man. But in fact, countries are very seldom found under these comfortable conditions. They are much more likely to be found in the possession of savage
THE CASE FOR CAPITALISM

owners who very strongly object to the presence of the gentleman who comes in with a spade and proposes to till them. They are also very likely to be tenanted by more or less unpleasant wild beasts, snakes and other such fauna, while they are also likely to be encumbered with thick forests which have to be cleared before tillage is possible. Such are the dangers which the original pioneer has, as a matter of fact, in most cases to face; but even if we follow Mr. Shaw's example, and leave all these unpleasantnesses out of account, the fact remains that the Adam who settles down on the best patch in the country is the pioneer who leads the way into the wilderness, forsaking the pleasant companionship of man. In Mr. Shaw's example, his arrival is followed by a large number of other people who very quickly care this defect in his surroundings, but this by no means always happens, and it is quite possible that the original pioneer is either killed with or without torture by the natives who resent his intrusion, or is eaten by wild beasts, or, after years of struggle with the natural difficulties of his position, dies of starvation owing to the failure of his crops. If, on the contrary, things turn out as Mr. Shaw describes them, the fortunate prospector who has by a
THE CAPITALIST THIEF

stroke of luck, which is probably rare in actual life, found the very best piece of land in the country for his original occupation, reaps a reward from his judgment, and the success with which he has overcome natural difficulties and the sacrifices which he has made in facing the dangers and hardship of life in the wilderness, far from the pleasant companionship of his fellows. That Mr. Shaw's figures are based rather on his imagination than on the facts which usually rule in a work-a-day world is a minor detail. It does not often, I imagine, happen that a tenant who is making £100 of actual profit, is paying an annual rent of £900. Enough has been said to show that, even if all were as Mr. Shaw has described it, the owner of the fortunately-situated central patch has done something to earn the rent which he derives from it, and so can hardly be classed as a parasite feeding on society, and giving nothing in return for the goods which he enjoys. And those who came after him and shared his fortune were also pioneers, and adventurers who made a sacrifice and took a risk. If such men must be dubbed thieves, thieves are people who are wanted. A year or two of pioneering in a wilderness might alter Mr. Shaw's view surprisingly.
Mr. Ramsay Macdonald in his very interesting little book, *The Socialist Movement*, one of the volumes of the Home University Library, gives another version of this criticism of rent as a charge on industry. On page 56, "Income from land," he says, "is not of the nature of reward for services rendered. It used to be. Land was granted by the sovereign to his captains who, in return for their possessions, rendered military service to the state, and in addition paid certain taxes, so as to provide the king—who was the embodiment of the state—with what income he required." On page 159 he says that "the type of unearned income is rent. The Socialist therefore propose to tax it, and when he is told that by doing so he is differentiating one kind of property from another, he replies that this is so, the reason being that land is differentiated from every other kind of property by its own nature. The aim of this tax is to secure the economic rent for the state, because it is the state that creates the value which economic rent represents." This is the argument on which those depend who draw this difference between rent and interest, rent being in their opinion a profit which is made by the State, and ought to belong to the State, while interest
THE CAPITALIST THIEF

may or may not have something to be said for it. Their argument, if I understand it right, is this, that rent being the difference in productive power between one piece of land and another, is not due to any exertions of the owner of it, apart of course from any improvements which the owner may have made, in which case they acknowledge that he is entitled to interest on the capital which he has put into it. Otherwise it is simply a gift of nature in the greater fertility of the soil, or a gift from the community which has made the land valuable by crowding into want to live upon it, or by establishing markets in its neighbourhood, so that its produce is more cheaply and profitably sold. In other words, rent is a present that is put into the pocket of the landlord, by the needs of the community, and so is socially created.

But is it not true that nearly all wealth, including even the wages of labour, is more or less socially created, and is not this distinctive attribute of the rent of land in fact shared by most of the payments which any community makes to its members? It may be quite true that certain lucky landlords have had untold wealth heaped upon them by being fortunate possessors of pieces of ground in London and
Manhattan Island. In other words, they have grown rich because there was a community which wanted to enjoy and make use of a certain article of which they were possessed. But is not this also true in a greater or less degree of all of us who receive payments from our fellows in respect of work that we do, or property that we own? Owners of railways would certainly have built them in vain if there had not been a community to travel on them and to send goods over them. The barrister, with a huge practice would not be able to earn his £20,000 a year if there were not a crowd of litigants with money to spend on the expensive luxury of justice. The journalist can only earn money from his pen if society has provided him with readers sufficiently educated to enjoy his views on current events. Even Mr. Charlie Chaplin would smile in vain on a desert island. The wage-earner only gets his wages because there are employers who set him to work and consumers to absorb the product which his labour helps to produce.

Any of us who criticizes any one else for the enjoyment of socially created wealth may easily oust himself of the vice of envy by wondering how much of the good things of the earth he could have himself enjoyed if he had been put
THE CAPITALIST THIEF

down by himself in a wilderness, with no society to create wealth for him. Nearly all wealth is in fact more or less socially created, just as it may also be said that most forms of human society are to a great extent created by wealth or the desire to possess wealth. It is in fact, as has been pointed out by Locke in his Essay on Civilization, for the purpose of the mutual protection of their lives and property that men originally formed themselves into civilized societies. ¹

Moreover, it will be noted that Mr. Macdonald in his analysis of the origin of rent, which seems to be much closer to the actual facts of the case than the sketch produced by Mr. Shaw’s brilliant imagination, shows that rent was originally earned by captains who were settled upon the land in return for military services. According to him therefore the original owners of land received it in return for services rendered in the course of military occupation. Modern opinion in its revolt against views which we now stigmatize as Prussianism or militarism may argue that this would not now be regarded as an equitable

¹ Cf. Plato, Republic, Book II, “A State arises out of the needs of mankind; no one is self-sufficing, but all of us have many wants.”—(Jowett’s translation.)
THE CASE FOR CAPITALISM

basis of possession. But we have no right to throw back our modern views and expect people many centuries ago to act in accordance with them. If it can be shown that those who originally acquired property did so by carrying out what was then considered to be the business and duty of a public-spirited man, then they surely earned their reward according to the views which were then current. It may be argued that when feudal tenure ceased and armies were raised by different methods, those who had held the land as a reward for military service ought to have been made to surrender it or pay rent for it to the State. But in fact all these arguments and imaginings about the origin of various forms of property, in the ages when the world was first being settled, or conquered by invading hordes who seized the property of its inhabitants, are to a great extent irrelevant.

If land were still in the hands of the descendants of the original pioneers, or, in the case of England, of the descendants of the Norman captains among whom William the Conqueror parcelled out the land, it might then possibly be worth while to enquire, in the light of equity, into the title-deeds of these gentlemen. But we know that much of this property has changed
THE CAPITALIST THIEF

hands since they got it and is now in the hands of people who have invested the proceeds of their labour in it, and is in fact an ordinary investment, very difficult to distinguish from an investment in Government securities or those of industrial Companies. Even in the case of the great slices of English territory, granted by King Charles the Second to the mistresses who amused his leisure, it has to be remembered that these fascinating ladies rendered a service in their time of a kind which, according to views current in those days, entitled them to any reward that the caprices of the monarch chose to shower upon them.

In all times, and still at the present, the ignorance and vice of the community, or of those members of it who happen to control claims to its wealth, have showered and continue to shower wealth upon totally unworthy objects. This is a disease which can only be cured by the education of the community, to make more judicious use of its power to decide; by the choice which it exercises in consumption, as to whom it shall enrich. We cannot now go back and say that because society in the Middle Ages or at the time of the Restoration gave wealth to the wrong
people, we should now take it away again from their representatives, most of whom have paid for it with money earned by services rendered. But it most certainly is our business and duty to see that we do not now put riches into the hands of those who 'pander to our ignorance and vice.' Are we putting much successful energy into this duty?

There is perhaps some difference in the power which investors in land have to charge others for the use of it as compared with that of other forms of property from which interest and profit are earned. Competition is less free and multiplication is less possible, though as the rural landowners of England found to their cost in the latter half of the nineteenth century, the development of transport, by bringing far-away wilderies within reach, for farming purposes, has extended the competing area enormously and will do so in future to an extent, perhaps, that we cannot yet imagine. Even urban land is not quite a monopoly. Owners of sites in Mayfair may seem to be able to dictate their own terms, but there is a point at which the community will refuse to pay their price and go to other abodes. Mr. Ramsay Macdonald, in the book already quoted (page 58), says that the owner of land is
THE CAPITALIST THIEF

"...in the position of a man who holds the keys of life, and he consequently can exact a maximum toll as his price. He does so." Does he, under modern conditions, hold the keys of life any more than, for example, the coal-miner? Does not competition in each case, when it is allowed to work, come to the rescue of the consumer or tenant? If all the land were owned by one owner he might be able to exact the maximum toll. But it is not so, and competition between its owners gives a chance to those who want to hire it. And yet, at the bottom of the matter the fact that land was made by nature, while all other forms of property owe something to man's effort in their production and use, makes the receipt of rent especially liable to attack when the rights of property are in question. Rent that is derived from work put into the land is of course indistinguishable from ordinary interest on capital. But when it is paid just because a site is thought to be especially desirable by the community, or because somebody else has built a railway through it or near it, the case for special taxation of the increment is strong; though that increment differs only in degree from the windfalls which are given, for example, to owners of stocks of black-dress materials when
86. THE CASE FOR CAPITALISM

the Court suddenly and hurriedly goes into mourning.

If, then, even the capitalist who takes his income in the form of rent has a good deal to say for himself before he pleads guilty to the charge of robbing the community, the capitalist who earns interest and profit on other forms of investment has a still stronger case.

"Incomes," says Mr. Ramsay Macdonald (page 61), "derived from invested capital are not so easy to classify. The Ricardian dictum that all wealth is created by labour is not exactly true. It carries much further than the statement which is true—that no wealth can be created without the service of labour. But there is much wealth which labour cannot create without the aid of capital. A man can go into the forest and tear boughs off trees with his hands for his fires, but he cannot fell trees without an axe of some kind, which is capital. Capital, therefore, has its value, a simple fact which means that, under the freest economic conditions, interest will be paid. It may be interest of 5 per cent., it may be of a tenth per cent., but the utility of capital in production will always have an appreciable value which the labourer who uses it will pay without suffering exploitation or injustice. Interest is
THE CAPITALIST, THIEF

therefore, not of the nature of a monopoly toll. It is a payment for service rendered. This we may call pure interest. Risk may determine its amount, but no consideration but this can justify its existence.

Thus the troubled capitalist who is wondering whether he is really a thief will be relieved to find that he is acquitted by Mr. Ramsay Macdonald, a keen and uncompromising Socialist, of the charge made against him by Mr. Cole and the other Guildsmen. On the other hand, he is apparently condemned by Mr. Bernard Shaw in the chapter quoted above from the Fabian Essays. "If," he says, "a railway is required, all that is necessary is to provide subsistence for a sufficient number of labourers to construct it. If, for example, the railway requires the labour of a thousand men for five years, the cost to the proprietors of the site is the subsistence of one thousand men for five years. This subsistence is technically called capital. It is provided for by the proprietors not consuming the whole excess over wages of the produce of the labour of their other wage-workers, but setting aside enough for the subsistence of the railway makers. In this way capital can claim to be the result of saving, or, as one ingenious
THE CASE FOR CAPITALISM

The apologists neatly put it, the reward of abstinence—a gleam of honour which still enlivens treatises on capital. The savers, it need hardly be said, are those who have more money than they want to spend; the abstainers are those who have less. At the end of five years the completed railway is the property of the capitalists, and the railway makers fall back into the labour market as helpless as they were before. . . . Colloquially, one property with a farm on it is said to be land yielding rent; whilst another, with a railway on it, is called capital yielding interest. But economically there is no distinction between them when they once become sources of revenue. This would be quite clearly seen if costly enterprises like a railway could be undertaken by a single landlord on his own land out of his own surplus wealth. It is the necessity of combining a number of possessors of surplus wealth . . . that modifies the terminology and external aspect of the exploitation. But the modification is not an alteration; shareholder and landlord live alike on the produce extracted from their property by the labour of the proletariat.”

Again, a variation on the same theme was produced by Ruskin in Fors Clavigera, when
he quotes, in the first letter, an example given in a Cambridge Manual of Political Economy of a carpenter called James who made himself a plane, so as to be able to earn more from his customers, but was then persuaded by a friend, William, to lend the plane to him for a year. William promised to give James at the end of the year a new plane exactly like the old one (for the rather surprising reason that the plane was certain to be worn out in the year), also a new plank as a compensation for the advantages of which James was to be deprived, by lending the plane instead of using it in his own business. "The plane," says Ruskin, "is the symbol of all capital, and the plank is the symbol of all interest. . . . James makes a plane, lends it to William on 1st January for a year. William gives him a plank for the loan of it, wears it out, and makes another for James, which he gives him on 31st December. On 1st January he again borrows the new one, and the arrangement is repeated continuously."

This arrangement he holds up to scorn as being entirely unfair to William.

How will the ordinary capitalist feel after all this dose of condemnation? His withers will probably be unwrung. He will see that in Mr. Bernard Shaw's example the people who
84. THE CASE FOR CAPITALISM

paid workers to build a railway, to that extent refrained from frivolous and luxurious spending, and created a means of transport which was or was not of benefit to the community. If it was not, the community would not travel on it and they would lose their money. If it was, they were entitled to remuneration for the service that they provided. The "labour of the proletariat," as Mr. Shaw calls it, built the railway, under the direction which the capitalists provided or paid for, in return for the pay which the capitalists put into their hands. Were they thereby "exploited"? And would the manual workers have been as well off as they are, if no capitalists had equipped the world with railways and machinery?

As to Ruskin's example, the capitalist will see that the lender of the plane did the borrower a service by lending him a tool which would help him in his work, and was fully entitled to a reward in the shape of a plank and the return of his plane or its replacement by a new one if it had been worn out. Did Ruskin mean that he should have given the plane, which he had made to help his own work, to the borrower who wanted it to help his? If we are all to give everything to everybody else, it will be a very nice and altruistic
state of affairs, but will it not lead to industrial chaos rather than progress? Moreover, if the uncomfortable capitalist pursues his study of *Fors Clavigera* he will find on a later page that a logical but not too tactful correspondent wrote and asked Ruskin how, with his views on capital, he justified his own action in living on money left by his father, and that Ruskin's reply was most unconvincing and irrelevant. And naturally, for though the capitalist who is such by reason of his own work and saving can laugh at those who call him a thief, the inheritor of the results of his effort is not in nearly such a strong position. He knows that he did not steal his immunity from the economic problem that faces most of us, of working or else suffering penury, because it was given or left to him by some one who earned it. But he may well ask himself whether it is equitable that such a great advantage, involving such a great handicap to others, should be handed on from one generation to another. He will appease himself probably with the reflection that if property could not be passed on a great incentive to production and progress would be lost. If the venturers and organizers could not hand on their property to their heirs most of them would,
possibly and even probably, give less time and energy to enterprise, and there would be a clog on the wheel of the industrial chariot. But on this subject there has in the last few years been a great change in opinion, and I lately heard that a distinguished American banker had expressed a doubt as to whether he would be wise to leave his children with more than $5,000 a year—a quite moderate income from an American point of view in these days. In any case, the inheritor may also remember that the State shows an increasing tendency to take toll on estates passing at death, and, in this country, now seizes no less than 40 per cent. of the largest properties when their owner dies. As long as it does not check enterprise and the accumulation of capital this determination of the State seems to be both equitable and expedient, and to be in the interest even of those who seem to suffer by it, but actually are thereby, and to that extent, compelled to justify their existence by their own efforts and saved from a possible life of idle boredom.

So far, then, from the capitalist being a thief, he seems to render, or represent, some one who has rendered a service to the community without which economic progress would be impossible. In fact we may say that any
THE CAPITALIST THIEF

One who is able to be a capitalist, by spending something on the equipment of industry, and fails to do so, checks the clock of material progress. If we are going to throw ugly words like "thief" about, we should with more justice throw them at the self-indulgent spender than at the capitalist who leaves the world richer and better equipped than he found it.
CHAPTER V

LABOUR AND ITS PRODUCT

We have seen that under Capitalism the course of production and the question of the prices at which goods and services shall be sold is left to the decision of the average consumer, and that Capitalism is thus truly democratic, in spirit as compared with the bureaucratic tyranny that would be set up by State Socialism or the Guild tyranny that the Guild Socialists would set up if ever they could arrive at a workable scheme; that the price which the consumer pays for an article has to cover payment for services rendered by labour, management, capitalists and adventurers; that the claim of capital to its interest and profit is admitted by Mr. Ramsay Macdonald to be sound, and can be shown to be so by a statement of the obvious facts about production. But the question of the share that the wage-earners are to get out of the price paid by the consumer has not yet been tackled, and it
LABOUR AND ITS PRODUCT

need hardly be said that the better solution of this problem the future of Capitalism depends. Capitalism has not only to be just and expedient, and the best system in the interests of the community. It has to show clearly that this is so and make the matter plain to a large number of doubters, who have power to wreck it if they are not convinced.

We can approach the problem from a different angle by considering a claim which has often been put forward by writers on the subject of labour and capital, namely, the right of labour to the "whole of its produce." An interesting book on this subject has been written by Dr. Anton Menger, Professor of Jurisprudence in the University of Vienna, and translated into English with an introduction by Professor Foxwell.

On page 2 of this work, Dr. Menger describes what he considers the "ideal law of property from the economic point of view." He says, "would be attained in a system which ensured to every labourer the whole produce of his labour, and every want as complete satisfaction as the means at disposal would allow." He observes that "our actual law of property which rests almost entirely on traditional political conditions, does not even
THE CASE FOR CAPITALISM

attempt the attainment of these economic ends. Originally the occupation of most countries was effected by conquest and settlement, and since then the sword has sufficiently often modified the existing distribution of property. When the State began to legislate as to rights of possession, it was generally content to sanction actual relations with a few unimportant alterations; so that it is easy to see how our property law, being the outcome of quite other than economic conceptions, seeks neither to secure to the labourer the full produce of his labour, nor to guarantee to existing wants the greatest feasible satisfaction. Our present law of property which centres in private possession does not, in the first place, guarantee to the labourer the whole product of his labour. By assigning the existing objects of wealth, and especially the instruments of production, to individuals to use at their pleasure, our law of property invests such individuals with an ascendancy, by virtue of which, without any labour of their own, they draw an unearned income which they can apply to the satisfaction of their wants. This income, for which the legally-favoured recipients return no personal equivalent to society, has been called rent by the St. Simonians; by Thomson and Marx,
LABOUR AND ITS PRODUCT

surplus value. I intend to call it unearned income. The legally recognized existence of unearned income proves in itself that our law of property does not even aim at obtaining for the labourer the whole product of his industry."

Thus, Dr. Anton Menger, approaching the problem from a different point of view, seems to agree with Mr. Cole, quoted in my last chapter, that the capitalist is a thief who lives upon the work of others whom he deprives of their full reward for the work that they do. It may be noted that he admits himself that the occupation of most countries was effected by conquest and settlement, and he seems to regard neither of these forms of activity as involving any labour, or entitling those who carried them out, and their heirs who followed them, to any reward for the exertions then made. In fact, as has already been pointed out, military service was a form of labour which was called for by the community at the time when it was fashionable, and therefore seems to be just as much entitled to its reward as that of many popular novelists, popular entertainers and popular swindlers of to-day whom the demands of the public enrich to the astonishment of detached observers.

It may also be noted that the two essentials of the ideal law of property assumed by
THE CASE FOR CAPITALISM

Dr. Menger are hard to reconcile one with another. If every labourer is to have the whole produce of his labour, it seems to be impossible to arrange matters so that all the wants of all members of society will be as completely satisfied as the means of disposal will allow. One essential is based on the principle of reward in proportion to labour; the other on reward in proportion to "wants"—a very different matter.

Let us consider this question of the surplus value, or unearned income, of which the capitalist is accused of robbing Labour. Mr. Philip Snowden, on page 73 of his book on Socialism and Syndicalism, makes the following remarks on this theory. "The doctrine of surplus value, or of surplus labour as it is sometimes called, is not like a theory of value—an abstract idea. It is a concrete fact. The modern capitalist system is so highly organized and its operations are so intricate, that the unpaid value of the worker's product is often obscured, yet it can be found in concrete form by a little investigation. The existence of a rich class who do no labour is the conclusive proof of the claim that labour does not receive all that labour creates, but that a surplus over and above the wages of
LABOUR AND ITS PRODUCT

labour is appropriated in some way and in some form by those who do no work. But to admit the truth of the doctrine of surplus value does not involve an acceptance of the doctrine in the crude form in which it is expounded in the Communist Manifesto, where the idea is conveyed that manual labour is the sole producer of wealth. In his later writings, Marx seems to express that view at times, though at others he very clearly recognizes the contribution made to production by directive ability and mental capabilities. Here, then, we have a slight but very important variation of the meaning of the word "labourer," which has now been made to include the owner of directive ability.

Labour's case for better treatment, like all other good cases, is only harmed by being over-stated, and no one can pretend that the manual worker does everything which is involved by modern production. But if under the word "labour" we have to include also directive ability, is it not still a very large assumption that the owners of it and of manual skill and strength could, together, do everything that is needed in production? If we put a manual worker, or a thousand manual workers, with a sufficient number of possessors of
THE CASE FOR CAPITALISM

directive ability, down on a bare piece of ground, they could produce nothing until they had reclaimed the ground and furnished themselves with the necessary tools and equipment for production. In other words, they would have to do a great deal of work between them, the only product of which would be the ability to do more work later on more efficiently and satisfactorily. Because labour and management at the present moment cannot produce anything without the help of labour and management that has been done in the past, this labour and management that has been done in the past is provided by the capitalist who also, under modern conditions of production, earns a profit by running a risk.

Mr. Ramsay Macdonald, on page 62 of his book that I have already quoted on the Socialist Movement, said very truly that there is much wealth which labour cannot create without the aid of capital. "A man can go into a forest and tear boughs off trees with his hands for his fires, but he cannot fell trees without an axe of some kind, which is capital." The product of labour by itself is a miserable subsistence if without capital; that is, without the use of work done in the past—stored-up work, as we may call it. The only things that
LABOUR AND ITS PRODUCT

labour could produce by itself would be berries off the trees, roots out of the ground, and perhaps birds and beasts, that the labourer might or might not be lucky enough to kill with his own hands. This could hardly be called production. It is simply taking what Nature provides. As soon as labour wants to produce in earnest, in the modern sense of the word, it has to provide itself with some sort of tool or weapon; that is to say, it has to work for some time without receiving any reward, in order that it may work more efficiently in the future. As soon as it has done so, it becomes a capitalist. Mr. Macdonald rightly pointed out that an axe is capital; as soon as our labourer has fashioned himself an axe, he has, in fact, become a capitalist. If he manufactures his own capital the interest on that capital then goes to himself. If he employs others with it, does he then rob those others?

Let us consider how the whole process works out by going back to the solitary man on the island whom we imagined in an earlier chapter. We saw that in order to fish more easily Crusoe made himself an axe, and then built himself a boat. He was then able to get a larger catch of fish, and so appropriated to himself the reward of his labour whenever he went fishing,
THE CASE FOR CAPITALISM

plus the reward of his further past labour at a time when he built the boat, and of the risk that he took of failure in making the axe and boat, and of not being able to catch any more fish when his boat was built. Let us then suppose that a fresh inhabitant, Friday, arrives on the island, and also thinks that it would be nice to eat some of the fish that are easily to be caught a little distance from the shore. Friday naturally asks Crusoe for the loan of his boat, and Crusoe makes a bargain with him under which Friday is allowed the use of the boat for a day, promising to give Crusoe a share of any fish that he may catch.

Here we have an example of a labourer apparently being robbed of part of the produce of his labour. Crusoe can sit in the sun at the door of his hut and do no work all day, on the expectation that Friday will bring him home enough fish for supper when he comes in from his day’s sport, but does Crusoe really rob Friday? Friday, surely is enabled by the results of Crusoe’s past efforts, in making the axe and the boat, to fish much more easily than he would have been able to do if he had sat on the rock and not gone out to sea. A large part of his catch is in fact the result of Crusoe’s past labour, and Friday, with this help, is able,
after paying Crusoe's share, to keep a larger supper for himself than he could have caught without it. Mr. Snowden argues that there must be surplus value or unearned income because certain people are not obliged to work. But Friday's case seems to show that labour shares in the unearned income which is not really unearned, but earned by labour done in the past.

Then there comes another inhabitant, Saturday, who also wants the boat. How is Crusoe to decide whether he shall lend it to Friday or to Saturday? He will naturally lend it to the one who promises him the largest share of fish. Here we see him enjoying socially created wealth because the appearance of a third inhabitant has brought in the element of competition, and enabled him to secure a larger proportion of fish than he would have been able to get if the stimulus of competition had not increased the value of his boat. Nevertheless, the fact remains that the boat, which is his stored-up work, is still the basis of his claim upon a share of the work of whichever of the competitors succeeds in getting the boat. If we suppose that he lends the boat to Friday, we may then go on to assume that Saturday, being anxious for food, and not handy enough
THE CASE FOR CAPITALISM

to pick up a living for himself by himself, may be ready to earn a meal out of Crusoe's accumulated store of food, the proceeds of his past work, or out of the fish which he expects to get from Friday—again the proceeds of his past work—in return for a day's work which Saturday promises to do on Crusoe's wheat patch, weeding it, or digging it, or enlarging it.

Crusoe is now becoming a capitalist on a large scale, employing two workers. If, then, other inhabitants appear, Crusoe may make bargains with them to make new axes and build new boats acting under his direction, and with the advantage of the experience that he gained by his earlier efforts. He sets them to work on improving the equipment of the whole of the community, while Friday continues to work for him as a fisherman, and Saturday as a farm labourer. In the case of the later comers, when no actual stored-up work is being applied by Crusoe, to their efforts, when they themselves are going to make the axes and build the boats, it would seem at first that Crusoe has no claim whatever to remuneration; but here again it will be seen that during the period in which they are doing work which will produce no result that can be immediately consumed, he will have to maintain them either
out of his store of food, which is his past work, or out of the food raised under his direction by Saturday, whose work has been made more effective by past work which Crusoe had already put into the agricultural development of the island, and further that Crusoe’s experience and directive ability will earn its reward in directing them in their task.

Finally, there may arrive a new-comer, Sunday, a man of real organizing ability whom Crusoe appoints to relieve him of all the directing and organizing work required by the varied business that he is now carrying on—farming, fishery and boat building—in return for a share of the food which the enterprises already founded and conducted by Crusoe are producing. Sunday is his managing director, and undertakes the task of overseeing the work of all the others, and seeing that Crusoe’s share of the produce is duly paid to him. Crusoe has now become an idle capitalist living on the surplus value apparently created by those who are working for him, but actually called into being largely by his own past work, directive power, and readiness to take a risk. He can sit all day and meditate, or stroll at his ease over the island, while other people work and supply surplus value for his clothing and feeding.
THE CASE FOR CAPITALISM

'This he has done by placing the results of his past work at the disposal of the others, so that they by working on it, and with it, can more easily earn a subsistence for themselves, providing a surplus value for him and for themselves, to the benefit of all parties concerned.

If we ask why, when once the second boat has been built, Crusoe should have any right to any extra catch of fish that is secured by its use, the answer is that by devoting the work of those who came and asked him for food in return for their labour to increasing the productive equipment of the island, he has in fact made that effort of abstinence which so much amused Mr. Bernard Shaw, as was shown by a quotation from him in a previous chapter. Instead of employing those who built the second boat upon this work, which was going to increase the food supply of the community, Crusoe might very well have turned their labour in the direction of increasing his enjoyment of comfort and luxury for the moment. He might, for example, have put one of them on to the task of singing songs to him, or telling him stories, or making faces at him just as entertainers do at a twentieth-century cinema show. He might have set them to work on making
LABOUR AND ITS PRODUCT

his but more water-tight, or making him a new suit of clothes, or on building a sedan chair for him, and carrying him about the island, thus relieving him of the trouble of walking, and giving him the savage counterpart of the joys of motoring. In other words, he might have turned their activities into a non-productive channel, which would have increased his enjoyment of a slothful existence but left the total output enjoyed by the rest of the community unimproved.

He also might have spent the resources that he had available for feeding his workmen on his own gluttonous enjoyment, instead of investing it in improving the equipment of the island for further production. Had he done so, he would have had what is called a "good time" for the moment, but his band of workmen would have been thrown out of employment, because he would have had nothing wherewith to pay them, and they would have, to go and seek for themselves and pick up what they could in other parts of the island, either becoming capitalists themselves and building up for themselves possessions out of their own past labour, or leading a hand-to-mouth existence with a considerable chance of dying from hunger.
that in fact under modern conditions of production all the machinery that is provided by capital is actually made by labour. The wage-earners build the railways, dig out and fetch the raw material, and put it through the processes that make it into machinery. But labour has done all this under direction provided by managers working for capital and paid by capital, and labour could not have done it if capital had not paid it wages out of previously accumulated stores, which capital paid for out of money that it earned or got by some service or action for which it was paid by the then existing sense of the community. Capital and labour both live to an extent that few of us realize on the exertions of those who have gone before, directed and paid for by those who had the control of industry that is given by wealth. If the owners of that wealth had spent it on immediate enjoyment instead of equipping the country with productive machinery, so as to earn a profit for themselves and their successors, the country could not have maintained a fraction of its present population, and many of those who now denounce the capitalist as an exploiter or a thief would never have been born. They owe their very existence to the alleged exploiter.
LABOUR AND ITS PRODUCT

These things had to be said because the wage-earner’s case is not helped by being overstated, and if the wage-earner is taught to believe that he can do everything by himself he is likely to make mistakes that will cost him dear. His case is quite strong enough to stand on the facts of the matter. Without him capital can do nothing in the way of production and little in the way of selling what it produces with his help. Nothing could be more short-sighted than the view of some narrow-minded and stupid employers that it pays capital to pay low wages. Quite apart from the question of bad work owing to bad pay, this doctrine forgets that capital has to work for the consumer, and that a great majority of consumers are wage-earners and their dependents. High wages, if they do not lead to slack work and bad timekeeping, mean high buying power and a good and steady market for articles of general consumption. Every producer or handler of such articles is benefited by an increase in the pay given to the wage-earners employed by all other employers. Therefore it is clearly to the interest of industry as a whole and ultimately of his own enterprise. A busy community with well-distributed buying power is what will
pay us all best in the long run, as a matter of mere business, to say nothing of the political and social advantages of such a state of things. If employers think that they can secure this by keeping their wage bill as low as possible and if wage-earners think that it can be done by restricting output we shall never get there.

Nevertheless all that has been said above concerning the benefit derived by labour from work directed and paid for by capital in the past has not really disposed of the difficulty, that was touched on in the last chapter, about the advantage given to certain individuals by the institution of hereditary property. Even if the wage-earners recognize that they are much better off than they would have been if no capitalists had equipped the country for production, they still have to be convinced that it is not unfair to them that the heirs of those capitalists should take to this day so large a share of what labour and capital produce between them. The system gives those heirs the power not only to live without working but to set aside out of their share of surplus a further store of capital which increases their future claim on the product of industry. Going back to the example of our Crusoe capitalist, if we suppose that during his growth
into a capitalist he has acquired a mate and left a family, and that when he dies his youthful son, who has never done a stroke of work in his life, succeeds to the whole of the property and organization which Crusoe has built up, and that the other inhabitants of the island and their progeny are expected to work for Crusoe, Junior, on the same terms on which they worked for the original organizer, then we find ourselves faced with a claim that is much more difficult to justify. Why should this youngster, just because he is the son of a successful organizer, be supported during the rest of his existence by the labour of others with the confident expectation that he will be able to hand on to his own progeny a similar claim on the labour of the workers of the world?

We may say that hereditary property has been an essential part of every civilization worthy of the name which has been produced since the history of man has been known. But so have many things which are difficult to justify, except on the ground that having existed they must have for some inscrutable reason been necessary. A Roman or a Greek would have probably given the same answer if one had questioned the equity and justice of the institution of slavery. Moreover, landed
property under the feudal system only went on from father to son on payment of a substantial fee by the heir to the Crown, so that it was by no means the indefeasible right which it is now too often assumed to be. Our Chancellors of the Exchequer by imposing heavy estate duties on the passing of property on the death of an owner, recognize that property, being only transferred to those whom the owner wishes it to go to, owing to the security afforded by our modern social arrangements, has to pay this periodic toll for the right to be left by will. This toll, being exacted, however, it seems to be equitable that those who get wealth by serving the community should have the right to give it in their lifetime and leave it when they die.

The justification of the system on the grounds of economic expediency is obvious: If hereditary property were abolished, and the consequence were that no one cared to earn more than he wanted to consume, the fund, out of which new railways are built, new factories and ships are placed at the disposal of industry and commerce, would be very seriously diminished. It is only by successful investments, that is by actually increasing the general output of goods and services, that capitalists can
maintain and increase their claim on industry's product. And whenever they increase industry's output a large part of the price that consumers pay goes to labour. As has been shown, capital without labour is powerless to produce. The wage-earner is thus most likely to earn good wages when there are as many capitalists as possible putting new capital into industry and competing for the services of the wage-earner as a worker, and for his custom as a consumer. If labour prefers to frighten and threaten the capitalist, the latter will be scarce and shy and his capital will be scarce and dear. Moreover the responsibilities that are attached to the ownership of wealth are not always learnt by those who gain it in their own lifetimes. Bad spending, as is particularly evident at present, is a specially prevalent vice among those who have suddenly grown rich. We might cure this disease by having no rich at all, but this cure would mean the adoption of a new economic system, with dangers that will be shown when we come to examine the suggested alternatives to Capitalism.

As it is, labour gets the whole of its product and a great deal more. If it wants to get also the share of the capitalist and the
THE CASE FOR CAPITALISM

adventurer, it can do so by saving capital for itself and risking it in industry, so becoming its own employer and provider. "A few shillings per head from the working class would quickly raise the capital necessary to make a trial of democratic management in any industry." So says Mr. Stirling-Taylor, in the Guild State, the latest contribution to the literature of Guild Socialism.

If the wage-earners determined to make themselves masters of industry by providing their own capital, they could gain a power that would be overwhelming. The process would be gradual and slow, but if half that we are told is true about workers who stay at home instead of going to work as soon as they have earned enough to satisfy their immediate wants, steadier work would give them a big margin for this purpose of strengthening their position. The wonderful success of the co-operative movement has shown what can be done. If labour provided its own capital, the idle capitalist with no labour to work for him would find the flank of his position most effectively turned.

Concerning the proportion of the joint product that is taken by capital, it may be interesting to quote a statement made by
Sir Hugh Bell to the shareholders of the Horden Collieries, Ltd. Coal-mining being a speculative industry, capital invested in it may be expected to yield on the average a higher rate than most other enterprises. Sir Hugh, as reported in the Times of December 4, 1919, said:

"While I am dealing with the position in which you find yourselves, it may interest you to know that the total amount disbursed in dividends over the whole 19 years that the company has existed is just over one million pounds—to be accurate, £1,010,000. Last year we paid in wages to men directly in our employment £1,019,000. In 19 years we have distributed £1,000,000 in dividends, and in one year we paid £1,000,000 in wages. That figure of £1,000,000 in wages corresponds exactly with the figure I have already cited on former occasions. The total amount of our outgoings last year is just under £2,000,000. The wages we have paid to our own people are, as I told you, just over a million, so that just about 50 per cent. of the total outgoing of your company goes in wages—in the form of wages, because I have to take into account the coals you supply to the men, and I also have to take into account the cottage rents,
which are part of the wages. If you come to examine the other items, such as stores and so on, you will find that something like the same proportionate amount has been paid in wages, so that you have paid out, directly and indirectly, for wages £1,500,000 out of £2,000,000! That is to say, you disburse 75 per cent. in wages and salaries. Out of every ton of coal you sell, one half of the selling price goes to pay wages of the men in your employment, and of the remaining half, about a like proportion is paid in wages by the persons from whom you buy your stores, etc., so that directly you pay away 50 per cent., and indirectly 25 per cent., in wages and salaries. Out of just under £2,000,000 there remains £200,000 or thereabouts as your share. You will see on how narrow a margin you are conducting your trade, and how relatively small an increase of wages would absorb all that margin and leave you with no dividend at all."