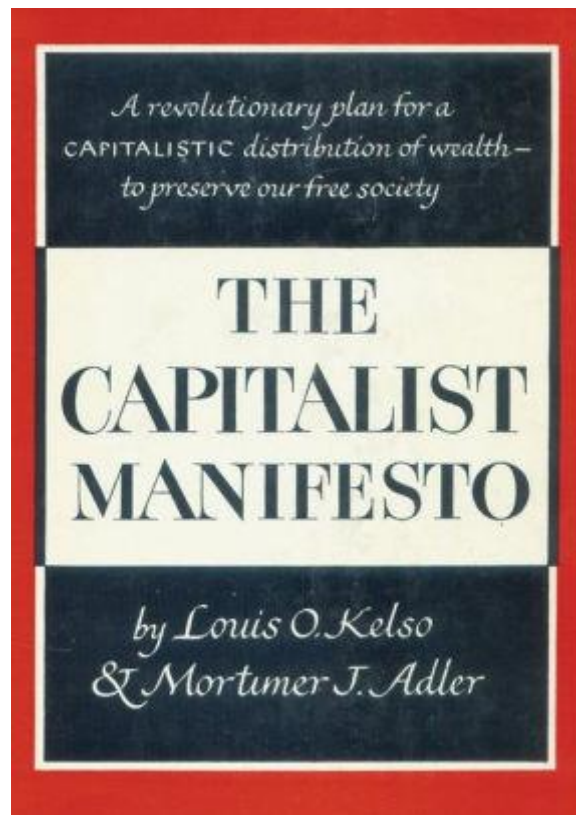


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THE CAPITALIST MANIFESTO

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7 THE ECONOMIC FUTURE (Part 1 of 3)

THE FOUR CAPITALISMS

In the preceding chapter, we distinguished four forms of capitalism. Of these, three belong to the past or present. One belongs to the future. It is the object of the capitalist revolution to bring that one into being.

We have so far identified the three forms of capitalism that belong to the past or present by referring to historic examples of them. For ease of reference, we would now like to substitute tag-names that will serve as shorthand devices for remembering their salient characteristics. We propose the following nomenclature.

- (1) *The form of capitalism which existed in Great Britain during the nineteenth century and which persisted in a waning state until the end of the First World War.* In view of the fact that this was the original form taken by capitalism with the emergence of industrial production, we think it is fitting to call it “primitive capitalism.” It represents the least developed stage of industrial production as well as the first stage in the organization of an economy in which powerdriven machinery and other capital instruments slowly became the chief productive force.

The distinguishing characteristics of primitive capitalism are:

- (a) private ownership of capital instruments; (b) no limitation on, and hence undue concentration of, such ownership; (c) a capitalistic form of distribution with full returns to the owners of capital of what their productive property earns; (d) a bare subsistence standard of living, or worse, for the laboring masses in the population.

- (2) *The form of capitalism which exists in Soviet Russia today.* Two names suggest themselves as appropriate: “completely socialized capitalism” and “State capitalism.” The first points to the form of distribution, the second to the mode of ownership which prevails. We will use “State capitalism” because it is briefer.

The distinguishing characteristics of State capitalism are: (a) public ownership of capital instruments; (b) complete concentration of such ownership in the hands of the State, or in what for all practical purposes become the hands of the bureaucrats who wield the political power of the State; (c) a laboristic form of distribution, controlled and administered by the State for the economic welfare of the

workers; (d) a much improved basic standard of living for the masses, with a scale of differential incomes added to provide incentives, not earned rewards, for the most highly productive types of labor.

(3) *The form of capitalism which exists in the United States and Great Britain today and which has been developing since the end of the First World War and the rise of labor unions to power with the help of the countervailing power of government.* This form of capitalism has been called “collective capitalism,” “managerial capitalism,” and “laboristic capitalism.”⁵² It can also be called “mixed capitalism,” “partly socialized capitalism,” or “welfare capitalism.” All these names point to the fact that the form of distribution is partly capitalistic and partly laboristic. The last two, in addition, point to the controlling principle of the distribution insofar as it is laboristic—concern for the needs of those who participate in production through labor alone, not for what they are justly entitled to by such participation as measured by its contribution. We will use “mixed capitalism,” (and sometimes “the mixed economy”) as the tag-name for this form because it calls attention to the mixture of conflicting elements, some of which are vestiges of primitive capitalism and some of which are halfway measures whose tendency, if they continue unchecked, would push this economy further and further toward completely socialized or State capitalism.

⁵²In a paper entitled “Administered Prices and All That,” delivered before the Western Economic Association on August 28, 1957, Professor Edwin G. Nourse employed such phrases as “corporate capitalism” and “managerial capitalism” in order to distinguish the present form of capitalism from what he called the “traditional” or “proprietary capitalism” of the nineteenth century. He attributed to Professor Sumner Schlichter the description of our present economic system as a “laboristic economy,” but felt that it was more accurate to describe it as a “laboristic capitalism,” because, as he said, “what we have is not fully laborism but merely modified capitalism.” See *Hearings before the Subcommittee on Antitrust and Monopoly of the Committee of the Judiciary, U. S. Senate*, July 9-16, 1957, Government Printing Office, Washington: pp. 188-190. The phrase “collective capitalism” was coined by Professor Gardiner C. Means and employed in a lecture entitled “Collective Capitalism and Economic Theory,” delivered at the Marshall Why the Symposium, College of William and Mary, Williamsburg, Virginia, March, 1957. This lecture is also reprinted in the Senate Hearings cited above: see pp. 104-114.

The distinguishing characteristics of mixed capitalism are: (a) vestigial or nominal private ownership of capital instruments; (b) no limitation on, and hence still undue concentration of, such ownership, though that concentration is somewhat less than in primitive capitalism; (c) a form of distribution that is partly capitalistic and

partly laboristic, according to which owners of capital receive some share of what their property produces but much less than they are entitled to as measured by its contribution, and according to which those who participate in production through mechanical labor alone receive a much larger share than such participation earns by its contribution; (d) a generally high standard of living for the laboring masses in the population.

(4) *The form of capitalism which will exist, probably in the United States first, after the capitalist revolution has brought into being the first justly organized capitalist economy.* This is the only one of the four forms for which it is difficult to find a readily appropriate name. As contrasted with primitive capitalism, it might be called “mature capitalism” or “fully developed capitalism” to indicate its highly advanced stage of industrial production; but both State capitalism and mixed capitalism will also enjoy the advantages of the technological advances to be made in the next fifty years. As contrasted with State capitalism, it might be called “private property capitalism,” but that does not distinguish it from mixed capitalism in which capital instruments are, nominally at least, still privately owned. As contrasted with mixed capitalism, it might be called “pure capitalism” to indicate that its form of distribution is purely capitalistic, *i.e.*, without any admixture of a socialized laboristic form of distribution; but primitive capitalism can also be called “pure” in the same sense.

“Just capitalism” would be appropriate and distinctive because, of the four forms of capitalism, this is the only one that embodies all the relevant principles of economic justice. But the phrase “just capitalism” is open to misinterpretation, and it would be burdensome to be sure each time that “just” carried the connotation of “justice.” Hence we have decided to adopt the word “Capitalism,” with a capital “C” but without any qualifying adjectives, as the name for the capitalist economy to be created by the capitalist revolution.⁵³

The distinguishing characteristics of Capitalism are: (a) the private ownership of capital instruments, restored to full effect from its present nominal condition and attenuated rights; (b) the widest possible diffusion of such ownership to provide effective participa-

⁵³ The phrase “People’s Capitalism” is currently used in a sense that is vaguely suggestive of what we mean by Capitalism. But those who use it often fail to acknowledge explicitly that what they mean by “People’s Capitalism” does not yet exist in the United States; nor do they explicitly recognize all the changes that would have to take place in our present mixed capitalism in order to bring it into existence. The phrase is, therefore, almost as much an advertising slogan, and as empty of real content, as the one on which it is modeled—“People’s Democracy,” the term used by the Communist countries to claim for themselves a noncapitalistic form of democracy which does not exist and cannot.

tion in the production of wealth for all members of the economy; (c) a capitalistic form of distribution with fully paid out capital earnings to owners of capital, and with an ultimate reduction of the wages of labor to what labor's contribution earns, as measured by demand under freely competitive conditions; (d) a high standard of living for all, based on a minimum viable income for individuals or families, derived, in most cases, from participation in production as owners of capital or as owners of labor and capital.

A quick comparison of the four forms of capitalism will reveal that certain characteristics are common to two or more.

Calling all four "forms of capitalism" implies that all are alike in being capitalist as to mode of production. But primitive capitalism differs from all the rest in respect to industrial development. With the coming of the second industrial revolution, of which automation is only one harbinger, State capitalism and mixed capitalism, if they survive another half century, will exceed the productivity of the most advanced industrialism that exists today to a much greater extent than the productivity of the United States or Soviet Russia today exceeds that of primitive capitalism at the end of the nineteenth century. On this score we think that Capitalism, by its unchecked pursuit and promotion of technological advances, will be able to go further than either State capitalism or mixed capitalism. It will most fully realize the productive potentialities of capital instruments.

State capitalism, mixed capitalism and the Capitalism of the future are alike in another and related respect, in which they all differ from primitive capitalism; namely, with regard to the economic welfare of the whole population or the general standard of living. Though they achieve that desirable objective by different means and under the aegis of different controlling principles, they all are able to remove the economic hardships and widespread misery that existed under primitive capitalism. Given foreseeable advances in productivity, both State capitalism and mixed capitalism, continuing along their present lines, will be able to go much further in this direction; but here as before we think that Capitalism will be able to go furthest by reason of its principles, precisely because they are principles of justice rather than of charity or welfare.

In one further respect, State capitalism, mixed capitalism and Capitalism have some affinity, and one that is not shared at all by primitive capitalism. Where primitive capitalism was doomed to self-destruction by a mode of ownership and a form of distribution that prevented mass consumption from supporting mass production in the open market, State capitalism is able to avoid the problem by controlling consumption as well as production; mixed capitalism has

found that the operation of its welfare principle is also able to create effective mass purchasing power at the same time that it creates a generally high standard of living for the masses; and the Capitalism of the future will be able to avoid the orgy of overproduction and its resulting monetary inflation that are entailed by mixed capitalism's misguided pursuit of full employment. All three, by quite different means, can operate a capitalist economy for a time at least with the minimum efficiency that is necessary for its survival; but here, once again, we think that Capitalism can attain a higher level of efficiency, and stability as well, without the human waste and moral corruption that is involved in mixed capitalism's needless overproduction of wealth and without State capitalism's suppression of freedom. Once a decent standard of living is achieved for all, and as soon as military and defense expenditures can be kept from increasing or can perhaps even be reduced, an economic balance can be achieved under which our technology can advance and our standard of living can be raised to any reasonable limit without the simultaneous waste involved in the production of surpluses for the mere sake of providing full employment.

On the three points we have so far considered, Capitalism is more like State capitalism and mixed capitalism than like primitive capitalism. The only respect in which Capitalism resembles primitive capitalism is in giving full effect to the private ownership of capital through a capitalistic form of distribution which operates solely under the principle of apportioning distributive shares of the wealth produced on the basis of contributions to its production, the value of which is measured by demand in a freely competitive market.

With regard to the institution of private property, mixed capitalism somewhat resembles primitive capitalism and the Capitalism of the future. On this score, it is unlike State capitalism. But in certain essentials mixed capitalism has a much deeper affinity with State capitalism; for, while it involves the nominal private ownership of capital instruments, it does not give full effect to the rights of such ownership under its partly capitalistic and partly laboristic form of distribution. As partly socialized or welfare capitalism, it has strong leanings toward the completely socialized welfare state of State capitalism. A serious economic crisis, which might be precipitated by uncontrollable technological advances, or by monetary inflation necessarily resulting from its policy of full employment, would unquestionably bend it further in that direction.

Finally, there is the one crucial respect in which Capitalism stands completely by itself. It is the only form of capitalism which is built on the diffused private ownership of capital instruments. And it is for that reason the only form of capitalism that is a justly organized

economy.

THE THREE ALTERNATIVES

The industrial economy, *i.e.*, capitalism, in one form or another, is here to stay. Except for some major cataclysm that would reduce the world to rubble, destroy civilization as we know it, and condemn the scattered survivors to primitive modes of existence, there is little or no chance of a return to the laborist economies of the past. Nor would anyone in his right mind wish to give up the benefits of industrial production. Only those who are deluded by hallucinations of a golden age that once existed can be so blind to the potentialities of a civilization built on the utilization of machines and other capital instruments rather than on the enslavement of men as to think that the past can hold a candle to the future.

It is true that the pre-industrial class-divided societies of the past achieved for the few certain refinements and permitted those few to achieve certain excellences that seem to be threatened by the emergence of a mass, or one-class, society in the twentieth century.⁵⁴ But when we compare a mass society with civilizations built on the slavery of the submerged masses, we must remember that the ultimate measure of a society's worth is its potentiality for development. This applies to the capitalist economy as compared with the laborist and slave economies of the past.

If it was a great step forward in the history of man for the rise of civilization to permit a small class of free men to engage in the liberal pursuits of leisure and to advance civilization itself by their efforts, how much greater is the step that can be taken by our emergent mass society when it sees how to turn the twin institutions of democracy and capitalism into a school for the good use of the political and economic freedom they confer on all men alike.

Like the industrial production of wealth, the classless organization of society is here to stay—in one form or another. Our only choice is as to form. But we do have a choice. The totalitarian state with a regimented population of equal and uniform puppets is no more the inevitable crystallization of the mass society than State capitalism is—as Marx thought it was—the one form toward which an industrial economy inevitably tends.

With capitalism here to stay, we are confronted with three alternatives, and only three. For most of the English-speaking peo-

⁵⁴ With prophetic vision, Alexis de Tocqueville foresaw in 1835 most of the social, political, economic and cultural problems that would confront a mass society as it developed under what he called "conditions of equality." But de Tocqueville also faced the future with the faith that Providence, in decreeing the inexorable progress of

society from conditions favorable for the few to conditions favorable for all, challenged man to solve the problems incidental to such progress, and thereby make it thoroughly benign. He closed *Democracy in America* with these words: "The nations of our time cannot prevent the conditions of men from becoming equal; but it depends upon themselves whether the principle of equality is to lead them to servitude or freedom, to knowledge or barbarism, to prosperity or wretchedness."

ples, who would not think for a moment of exchanging life in the United States or in the British Commonwealth for life in Soviet Russia, these quickly reduce to two.

We can choose to perpetuate the mixed capitalism we have created in the last quarter century, with the hope that we can keep it mixed, or we can undo the mixture by eliminating the laboristic and socialistic aspects of our economy, with their tendency toward State capitalism, and replace them with the principles of justice that would create Capitalism. Our choice, in short, is between the *status quo* and the capitalist revolution.⁵⁵

The case for the capitalist revolution may be sufficiently clear from what has already been said. It should be for those who understand the principles of economic justice and who see that the just organization of a capitalist economy is not only desirable in itself but, more than that, indispensable to economic freedom, to political democracy, and to the fulfillment of the promise of a good human life for all men. Thus persuaded, they may wish only for a summary statement of the theory of Capitalism as the ground plan of the revolution, and for a projection of the practical program by which it can be accomplished.

A brief summary of the theory will be given in Chapter Eight, and a feasible, though tentative, program of practical steps will be outlined in Part II, which follows Chapter Eight. In the rest of this chapter, we shall address ourselves to those who may not yet see that our choice is between a socialist revolution, on the one hand, and the capitalist revolution, on the other. They may not realize that mixed capitalism as well as State capitalism is a product of the socialization of an economy that is capitalist in its mode of produc-

⁵⁵ Though we have treated primitive capitalism as one of the four forms of capitalism, it does not present a real alternative in the twentieth century. The successive waves of the scientific-industrial revolution exclude it from sensible consideration, just as much as the development of our conscience excludes the slave economy. Furthermore, it is morally almost as repugnant to us as a slave economy, both on the grounds of justice and on a humanitarian concern for human welfare. If all this were not enough to eliminate it forever from our thought, its self-destructive tendencies would by now have removed it from the running.

tion. The same errors underlie both, and the same threats to freedom

are present in both. What the completed socialist revolution has done to man and society, the creeping socialist revolution is in the process of doing.



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