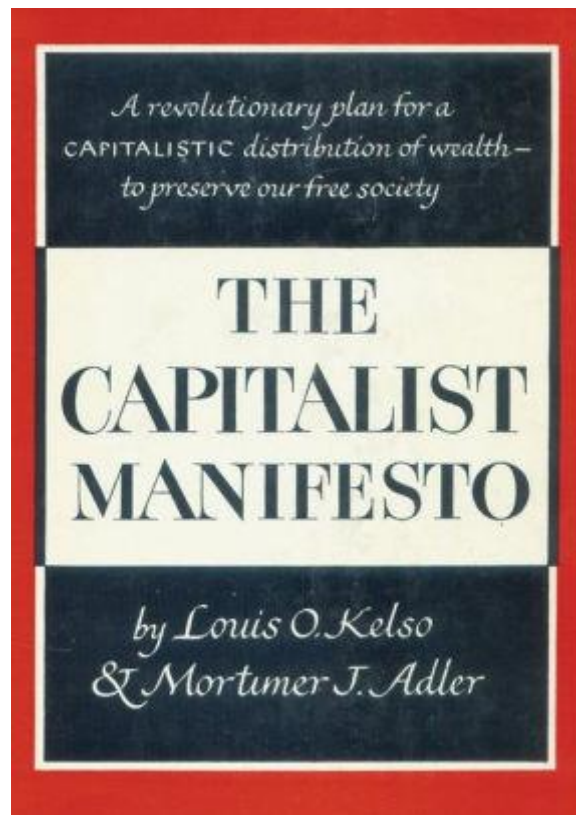


# THE GREAT IDEAS ONLINE

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## THE CAPITALIST MANIFESTO

**by Louis O. Kelso  
and  
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## 7 THE ECONOMIC FUTURE (Part 2 of 3)

### THE TWO SOCIALIST REVOLUTIONS

- (1) *The Completed Socialist Revolution.* We said that State capitalism is not a real alternative for us. Even if it could show itself to be the most productive, prosperous, and powerful of the forms of capitalism, and even if it could create the highest standard of living for all, we would have none of it. An American socialist like Norman Thomas, and an English socialist like John Strachey, reject it as vigorously as those among us who would not regard themselves as socialists.

The attitude all of us share springs from our devotion to democracy and from our wish to preserve and strengthen our individual freedoms and our free political institutions. We are all convinced that State capitalism cannot operate except in a totalitarian state. But the socialists among us, together with those who have leanings toward socialism whether they know it or not, do not see that an advanced capitalist economy without the private ownership of capital instruments and without full respect for the rights of such ownership cannot be operated without one or another type of bureaucratic management which inevitably concentrates economic and political power in the hands of a small clique.

Hence even though State capitalism, as exemplified in the completed socialist revolution, repels rather than attracts us, it is useful for us to look at it a moment longer. It does more than offer us the clearest example of what we are trying to avoid. If we are trying to avoid certain tendencies carried to the extreme by the completed social revolution, we should recoil from those same tendencies manifested in the process of the creeping socialist revolution which our mixed capitalist economy has been quietly carrying on.

Orthodox defenders of the Marxist faith may argue that State capitalism as currently practiced in Soviet Russia does not represent the *completed* socialist revolution, but only the penultimate stage in the process that leads to the ultimate creation of the truly communist society. They believe that the "dictatorship of the proletariat," administered by the Communist Party, is a necessary step in the process of expropriating private property in capital and putting it to social use; but that it is only a step in the revolutionary process, not its culmination. That will inevitably be reached when the State itself

withers away and, in place of the oppression that any form of political government involves, the only government will consist in the people's co-operative management of things rather than in the rule of men over men.

The Marxist thinks that the withering away of the State follows as inevitably from the dictatorship of the proletariat as that in turn follows from the forces at work in any capitalist economy. With the rise of capitalism, it is maintained, the class war reaches the point at which the owners of capital and the propertyless (or rather capitalless) owners of labor power are aligned against one another in a death struggle which can have only one outcome. According to Marxists, the resolution of the class war leads to the ideal classless society, but its route takes it through a temporary interregnum, which they call "the dictatorship of the proletariat," and we call "the totalitarian State."

Prophecies that do not give dates can never be refuted by facts. But they do become incredible in proportion as the things we know make what they predict look improbable. It is, to say the least, improbable that the leaders of the Communist Party, who administer the dictatorship of the proletariat and hold in their hands the greatest concentration of economic and political power ever consolidated on earth, will ever voluntarily divest themselves of such power in order to bring about the withering away of the State and to make way for the ideal classless society.

Even if they were dedicated and holy men before they became bureaucrats, the power they then acquired would corrupt them, and being almost absolute would corrupt them almost completely. The peaceful transformation of the State capitalism of the totalitarian state into the communist-capitalism of the whole community co-operatively managing its capital without any need of coercive regulation by political government is, therefore, highly improbable.

A violent uprising of the Russian people may overthrow the dictatorship of the Communist Party, but it will not, because it cannot, foment the withering away of the State or transform the totalitarian state into the communist classless society. A peaceful community without the institutions of government is impossible and will remain impossible, to paraphrase Hamilton, as long as men are not angels.

Marx was right in his abhorrence of all the class-divided societies of the past and of his own day. He was right in his condemnation of the bitter class war in all its phases. He was right in his hope, and we hope he was right in his prediction, that the ultimate outcome of this long struggle of class against class would be the classless society—not only politically classless but also economically classless. But he

was wrong in his mythical or utopian dream of the form the classless society would or could take.

This is not the only point on which Marx finally went wrong after being partly right. He was right in his condemnation of the injustice of primitive capitalism. He was right in his moral indignation over the human misery that its injustice caused; and though he was not a lone voice in his outcry against it, he, perhaps more than any other man, so forcefully stated the case that no one thereafter could ever make light of it. He was right in his enthusiasm for the unqualified superiority of the new capitalist economy over all the laborist economies of the past so far as its sheer power of producing wealth is concerned. He was also right in his sense that the injustice of a system in which close to nine-tenths of the wealth produced went to about one-tenth of the population (*i.e.*, those who owned the capital instruments of production) somehow stemmed, not from the capitalist mode of production, but from the mode of capital ownership together with a capitalistic form of distribution.

In all this he was right, but he was *wrong*—crucially wrong—when he finally put his finger on the root of the trouble. He thought the root cause of the injustice of primitive capitalism was the private ownership of capital. Private property in capital, he thought, operating under a capitalistic form of distribution, inevitably resulted in the maldistribution of wealth with all its consequences: human misery, almost slavery, for the submerged masses, and a concentration of economic and political power in the hands of a small class of capitalists.

Though he came very near to putting his finger on the right spot, he missed it. But for that fatal error, Marx might have advocated the capitalist revolution instead of the socialist revolution. The root of the trouble was not the private ownership of capital, but the *highly concentrated* private ownership of capital. That being the cause, the remedy lies not in abolishing private property in capital, as Marx recommended, but rather in diffusing the private ownership of capital by bringing into existence new capitalists at a rate commensurate with the shift in the burden of production from human toil to capital instruments. When that is accomplished under Capitalism, a capitalistic distribution of wealth will produce results the very opposite of those produced under primitive capitalism.

Marx's fatal error in diagnosing the cause of the injustice in primitive capitalism was intertwined with all the other errors he made, both in his theory of capitalism and in his revolutionary program. His labor theory of value, which is pivotal in his theory of capitalist production, served to rationalize or "justify" the expropriation of private property in capital; for if, as he claimed, labor and labor

alone produces all wealth, even in a capitalist economy (machines, he said, represent nothing but accumulated or “congealed” labor), then all the wealth produced should in justice be distributed to those who produce it. Since, in his view, the owner of capital produces nothing, simply by owning machines and raw materials and allowing them to be used by labor, any return to the capitalist, Marx argued, is unearned increment obtained by the exploitation of labor. He therefore concluded that the only way to prevent such exploitation and unearned increment is to have society as a whole, organized as a State, take over all capital instruments and control them for the benefit of the producers of wealth, to whom all the wealth should go. To accomplish a laboristic distribution of wealth, the State must not only control the capital instruments; it must also control the distribution of the wealth that a society of laboring men produces. Thus the labor theory of value, with its consequences, reaches the result at which Marx aimed from the beginning—from the moment he made his mistaken diagnosis that the private ownership of capital was the root cause of the trouble.<sup>56</sup>

At this point, however, Marx departed from one concern with which he began. That he began with a concern about justice is plain in the light of such words as “exploitation” and “unearned increment.” But it is equally clear that he ended by substituting charity for justice. His famous formula—“from each [laborer] according to his ability, and to each according to his needs”—totally divorces distribution from contribution. It cannot, therefore, be a principle of distributive justice. Since it is determined by need rather than by earning, it is a principle of charity, more often referred to as a principle of “social welfare.”

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<sup>56</sup> Since that diagnosis was wrong, there is no need here to expose all the fallacies in the labor theory of value. That is amply done in *Capitalism*, which will soon be published. A chapter of this book, entitled “Karl Marx: The Almost Capitalist,” was in *American Bar Association Journal*, March, 1957. It is important here, however, to point out that economists who claim to reject the labor theory of value nevertheless swallow its central error whenever they translate the increased productiveness of the capital of a capitalist economy into assertions about the increased productiveness of labor. They sometimes even talk as if the machines were not themselves active factors in production but passive instruments that derive all their productivity from labor. It is not surprising, therefore, that such economists should be exponents of the laboristic and socialistic forms of distribution adopted by our mixed economy or welfare capitalism.

Charitable distributions may be necessary in any economy. We know that the injustice of primitive capitalism made them necessary in the nineteenth century in order to relieve human beings in dire distress and to preserve those whose very existence was at stake. But

it makes a considerable difference whether charity is accomplished by private gifts or by a public distribution of wealth, as under State capitalism; and whether charity is auxiliary to the economy's system of distribution or is its central principle, as it is under socialism.<sup>57</sup>

The fact that under State capitalism the distribution of wealth, as well as the production and consumption of wealth, is controlled by the State illustrates the ancient truth that a little error in the beginning can lead to enormous ones in the end. The crucial error Marx made about the precise cause of the malfunctioning of primitive capitalism led him to recommend a system which is more unjust and more inimical to human freedom than the one it proposed to supplant. For if the cause of the injustice and the danger to freedom in primitive capitalism came from the concentration of economic and political power in the hands of a small group of private capitalists, how much more serious is the threat to freedom when all economic power is concentrated in the hands of the men who also hold all political power as representatives of the monolithic State. And how much more far-reaching is the injustice that results from the abolition of private property in capital in order to avoid the injustice that results from the concentration of its private ownership.<sup>58</sup>

<sup>57</sup> It also makes a difference ~~whether the charitable distribution, as~~ in Robin Hood's case, is made from funds obtained unjustly. The partly laboristic distribution of wealth in our mixed economy comes to that, since it cannot be accomplished without cutting deeply into that portion of the wealth which should go to owners of capital as a just return for the wealth their capital produces.

<sup>58</sup> In an article in *Reader's Digest* in 1941, Max Eastman, who had been a socialist, offered his version of the Marxist paradox of good intentions leading by mistake to results the very opposite of those intended. He wrote: "It seems obvious to me now—though I have been slow, I must say, in coming to the conclusion—that the institution of private property is one of the main things that have given man that limited amount of free and equalness that Marx hoped to render infinite by abolishing this institution. Strangely enough Marx was the first to see this. He is the one who informed us, looking backwards, that the evolution of private capitalism with its free market had been a precondition for the evolution of all our democratic freedoms. It never occurred to him, looking forward, that if this was so, these other freedoms might disappear with the abolition of the free market."

However great was the political power that private capitalists wielded under primitive capitalism, the political power of the bureaucrats is far greater under State capitalism, because they control all capital property in the name of the State. Under such conditions, the society may be *nominally* classless in an economic sense, according to the fiction that all men are proletariat and none owns capital property. But, the fiction aside, the facts are clearly the very opposite. State capitalism creates a class-divided society, in which there is a ruling class (the bureaucrats or leaders of the Party) and a subject class (the mass of the workers). In addition to being the

ruling class, the bureaucrats are in fact the owning class; for, by having complete control of the capital owned by the State, they are in effect its possessors.

As we are writing, Milovan Djilas, formerly vice-president of Yugoslavia and a top functionary in its Communist Party, has just been tried and sentenced to seven years' imprisonment for having the courage to publish a book in which he proclaimed that the *effective* ownership, *i.e.*, the *control*, of productive property under State capitalism is vested in the leading members of the ruling party—the *new class*. In that book, Djilas wrote:

As defined by Roman law, property constitutes the use, enjoyment, and disposition of material goods. The Communist political bureaucracy class obtains its power, privileges, ideology, and its customs from one specific form of ownership—collective ownership— which the class administers and distributes in the name of the nation and society.<sup>59</sup>

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<sup>59</sup> *The New Class*, New York, 1957: pp. 44-45. Immanuel Kant, John Adams, Alexander Hamilton, and even John Stuart Mill doubted that a man was in a position to exercise political freedom unless he had a minimum degree of economic independence, *i.e.*, unless he did not depend for his subsistence on the arbitrary will of others. The laboring classes during the first century of capitalism, before they secured the protection of unions and of government, were frequently thought not to deserve suffrage because they did not have the requisite economic independence to use the political freedom it conferred. Clearly, under State capitalism, those who depend for their very existence, not to mention their livelihood, on the arbitrary will of the State or its bureaucrats have as little or less freedom than those who, under primitive capitalism, depended for their subsistence on the arbitrary will of the factory owners

The tragic consequences of the fatal flaw of Marx's initial error have not yet been fully stated. The deepest reversal of all lies in the fact that Marx, recognizing that a capitalist mode of production had the power to emancipate men from toil, nevertheless made "the equal liability of all to labor" a cardinal tenet of the socialist revolution. He should have insisted instead upon the participation of all in the production of wealth by means of capital property, so that all could enjoy a decent standard of living with as little labor as possible.

Marx recognized this when, comparing the condition of capitalists and workers under primitive capitalism, he claimed that the capitalists had all the advantages and privileges that made life worth living. Yet under State capitalism the State is, nominally at least, the only capitalist, and so all men are, in theory, *forced to be laborers*. Even were State capitalism to create a classless society, it would be the wrong kind of classless society, for the ideal that is indicated by capitalist production is a classless society of capitalists.<sup>60</sup>

The Marxist error here is flagrant. If we recognize that a republic in which only a few men are citizens is politically unjust, we can also see that the remedy is to make all men citizens, not to abolish citizenship. Hence when we recognize that an industrial economy in which only a few men are capitalists is economically unjust, we

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<sup>60</sup> The goal of capitalism first appeared in the life of leisure that was built on slavery in the laborist economies of civilized antiquity. It was previsionsed in occult fashion in Aristotle's dream of complete automation, which suggested the picture of a society in which all men would have the leisure of slave owners because all would own the inanimate automatic slaves that produce the society's wealth.

should be able to see that the obvious remedy is to enable all men to become capitalists, not to make it impossible for anyone to be a capitalist.

(2) *The Creeping Socialist Revolution.* The transformation of the American and British economies during the last half century, and especially in the last thirty years, has frequently been celebrated by its apologists as revolutionary. To quote the titles of some of their books on the subject, this revolution has been called "the managerial revolution" (by James Burnham) and "the twentieth-century capitalist revolution" (by Adolph Berle). The product of the revolution has been called "modern capitalism," or "American capitalism," by John Kenneth Galbraith and other American economists.

In our view the most accurate description of the changes now in progress in the United States and Great Britain is that suggested by the English socialist, John Strachey. He shows that the changes in our economy, which the theories of R. H. Tawney and John Maynard Keynes gave direction to, have progressively socialized it by introducing a form of distribution that is more and more laboristic and less and less capitalistic. Such progressive socialization, accomplished with little violence, mainly by law, and still going on, is aptly called a "creeping socialist revolution" in contrast to the completed one that has produced State capitalism in Soviet Russia. And the present product of this incomplete or partial socialist revolution is the partly socialized economy of mixed capitalism.

This is not the place to show by detailed analysis how the economic theories of Keynes, Tawney, Berle, and Galbraith rest on an unwitting acceptance of Marx's labor theory of value in spite of explicit protestations to the contrary.<sup>61</sup> Our interest here is not in the theories on the basis of which these economists have recommended the erosion of property rights in capital, the policy of full employment, administered wages and prices, the welfare principle



<sup>61</sup> Such analysis is given in *Capitalism* in a series of chapters devoted to exposing the Marxism that is implicit in the economic theories of the most eminent advocates of the revolution which has produced mixed or partly socialized capitalism.

in distribution, and the laboristic form of distribution. Our interest is in comparing the mixed capitalism that has put these recommendations into effect, with the State capitalism that has put into effect Marx's more radical recommendations—recommendations, let it be said, that are more rigorously consistent with the labor theory of value.

First of all, let us compare the motivation of the two socialist revolutions. Both tried to correct the deplorable consequences which followed, in primitive capitalism, from a capitalistic form of distribution, operating under conditions of highly concentrated private ownership of capital. Both were instigated by a deep sense of the injustice that must somehow be responsible for so grievous a maldistribution of wealth as existed in the first century of capitalist production. But they differ in their diagnosis of the cause.

As we have seen, the program of the completed socialist revolution took its departure from the error that private property in capital itself was the root cause of the injustice; and so it proceeded to abolish private capitalists and to make the State the only capitalist. In contrast, the program of the creeping socialist revolution took its departure from the error that a purely capitalistic form of distribution was the root cause of the injustice; and so, while perpetuating private capitalists, it proceeded to invade and erode their property rights by mixing an increasingly attenuated capitalistic distribution of wealth with an ever enlarging laboristic distribution of it.

Neither revolutionary program proceeded from the right premise—that the root cause of the injustice was the *highly concentrated* private ownership of capital. The completed socialist revolution does not remedy this by creating a public ownership of capital that is even more highly concentrated. On the contrary, it multiplies the injustice by violating all three of the principles on which a capitalist economy, to be just, must be organized.

So, too, the creeping socialist revolution does an injustice in order to correct the results of an injustice. It tries to offset the consequences of the concentrated private ownership of capital, which still exists in our mixed economy, by introducing an injustice which has the opposite effect. It introduces a laboristic form of distribution which is unjust in an economy that is capitalist in its mode of production, but which has the effect of raising the general standard of living. It does this as a countermeasure to the concentrated ownership of capital which violates the principles of participation and

which, until counteracted, has the further effect of imposing serious economic hardships on the mass of the population.

So far as their effects are concerned, one injustice can thus act as a countermeasure to another. But it is one thing to remedy the deplorable consequences of an injustice by any means—just or unjust—and quite another to get at the root of the trouble and correct the injustice itself.

That primitive capitalism needed to be reformed, no one can doubt. Nor can anyone criticize the two revolutions which, in trying to reform it, were soundly motivated by considerations of justice and welfare. But the trouble with the two socialist revolutions—the one in Russia and the other in Britain and the United States—is that they achieved welfare but did not establish justice; or worse, that they achieved economic welfare (to a higher degree in the United States than in Russia) by countermeasures that were themselves unjust (to a lesser degree in the United States than in Russia). Neither was the right revolution. The capitalist revolution seeks to rectify the injustices of primitive capitalism and is calculated to achieve economic welfare to a high degree. It does both without committing the injustices of State capitalism and mixed capitalism.

In both State capitalism and mixed capitalism, the general economic welfare of the population is achieved by a laboristic distribution of wealth. Though in one case the distribution is purely laboristic and in the other only partly so, both quite obviously must accomplish the distribution in some way other than by giving to labor the declining proportion of the total wealth of the economy which it produces.

The laboristic distribution of wealth in our mixed economy therefore takes on the charitable aspect that it has in State capitalism. True, the apologists for mixed capitalism talk *as if* labor were justly entitled to all the wage increases it has received. But this soon becomes double talk, for they acknowledge, on the one hand, that technological improvements in machinery are mainly responsible for the increased productiveness of our economy but, on the other hand, continue to assert that labor itself becomes more and more productive as the capital instruments with which it co-operates become more powerful productively and have more built-in skill for their own self-control.

Having introduced a laboristic and charitable form of distribution, while preserving some of the rights of private property in capital by partly retaining a capitalistic distribution of wealth, our mixed economy is a halfway house on the road to complete socialism. In State capitalism, the distribution, as well as the production and consumption of wealth, is controlled by the State. In mixed capitalism, it is

mainly the distribution of wealth that is controlled by the State. Whereas in Russia that control is exerted by direct political action, in the United States it is accomplished only in part by the State—directly through taxation, subsidies, full employment schemes, welfare programs, and public works—and, in part, indirectly through legislation and administrative procedures that support the demands of organized labor for a larger distributive share than labor actually earns.

For the most part, the value of labor is not determined by bargaining in the United States any more than it is in Russia, although all our talk about “collective bargaining” sometimes deceives us into thinking so. Bargaining implies a freely competitive market of sellers and buyers. It implies the right to buy elsewhere if better terms can be found. The laboristic distribution which organized labor, with the help of government, has managed to effect has been achieved by the exercise of political and economic power, not by bargaining. In Russia, the governing bureaucracy is exclusively vested with such consolidated economic and political power. In the United States, the countervailing power of government is in varying degrees wielded in support of the demands of labor, of farmers, and even of industries where it will promote “full employment,” even though that results in unneeded surpluses.

Hence while the actual operation of State capitalism entails an almost total loss of economic and political liberty, the actual operation of mixed capitalism has so far resulted in much less drastic reductions in our fundamental freedoms. Since mixed capitalism involves a combination of principles that tend in opposite directions, it can be said, of course, that in proportion as mixed capitalism tends to become more laboristic in the form of its distribution and more socialistic in the method of effecting such distribution, it also tends to cause encroachments on economic and political liberty.

The whole story is not told, however, unless we remember that the creeping socialist revolution and the mixed capitalism it has produced are now congratulated for having “saved capitalism,” even by many who once opposed the policies that initiated this revolution in the early thirties.

We have pointed out in an earlier chapter that, quite apart from considerations of either justice or charity, the measures which reformed primitive capitalism were necessary to prevent the collapse that Marx had predicted it would suffer. His prediction, it will be recalled, was made on the assumption that an economy based on private property in capital, and with highly concentrated ownership of capital, would persist in maintaining a purely capitalistic form of distribution. On that assumption, his prediction would have come

true.

The mass of the population would be forced to live at a bare subsistence level, and so would be unable to pay for the goods and services that a progressively industrialized economy is able to produce in ever increasing quantities. For a while the exploitation of colonial markets might offset the inadequacy of purchasing power in the domestic market. But this, too, would eventually be exhausted, and then the periodically recurrent crises of overproduction and underconsumption would reach the point where the cycle of boom-and-bust would end in one last bust.

All the modifications of primitive capitalism that have occurred gradually in England and the United States between 1850 and 1950 have tended to prevent the predicted collapse of capitalism, understood as a system of industrial production based on private property in capital. These reforms were effected by the growth of trade unions; by legislation in support of “collective bargaining”; by governmental regulation of wages and hours and of the prices of many goods and services; by government spending for welfare, public works programs and the promotion of full employment; by policies of taxation which facilitated a laboristic distribution of wealth; by all sorts of protection for society itself and its members, against the excesses of *laissez-faire*—a system which operated, for a short while, to the immense benefit of the owners of capital property.

It is probably the case that these reforms could not have been effected by due process of law, had not the political battle, *i.e.*, the battle for the extension of the franchise, first been won. It was the gradual emergence of political democracy during the last half of the nineteenth century and the first decades of the twentieth that made it possible for primitive capitalism to be overthrown without widespread violence; as the absence of political democracy made recourse to violent revolution almost a necessity in Russia.

The chief human effect of all these reforms was to raise the standard of living of the masses; and, at first, that was the only, or at least the chief, purpose of the effort. But when the cycle of recurrent economic depressions began to give urgent credibility to Marx’s prediction of the inevitable collapse of private-property capitalism, another motive for adopting, extending, and accelerating these reforms came into the picture. It was the motive underlying Henry Ford’s voluntary recommendation of the five-dollar day, which other capitalists gradually came to see as eminently expedient.

One way of preventing the threatening collapse, and of correcting the imbalance between mass production and individual consumption, was to build up mass purchasing power by raising real wages.

Henry Ford did this in his “revolutionary proposal” to his fellow capitalists, which subsequently became, in the “revolutionary policies” of Franklin Roosevelt, a concerted effort on the part of the government to “save capitalism” (*i.e.*, capitalism based on private property in capital) by closing the circuit of production and consumption.

Capitalism, as a system of industrial production, could not help becoming more and more productive. If private capitalists could not bring themselves *quickly enough* to adopt a laboristic distribution of wealth, then direct governmental action and the action of trade unions with governmental support had to be resorted to, in order to assure consumer demand of such a magnitude as to exert continual pressure on production in the interest of obtaining a rising standard of living. As between Henry Ford’s “revolutionary proposal” and Franklin Roosevelt’s “revolutionary policies,” there was no difference so far as the adoption of a laboristic principle of distribution is concerned. The difference—and it is a crucial one—lies rather in the fact that the intervention of government in the distributive process makes the distribution socialistic in method as well as laboristic in form; and so, in the process of trying to “save” a capitalism that is based on private property in capital, it may have introduced the germ of its destruction.

There is a better and surer way of “saving capitalism” that has not yet been tried. The general standard of living can be raised to the point where mass purchasing power, widely diffused among individuals and families, supports whatever level of production of goods and services we may desire within the limits of our resources. This can be done without recourse to a laboristic distribution of wealth. It can be done by a capitalistic distribution of wealth, if that is based on a widely diffused ownership of capital instruments.

Some may suppose that the difference between these two ways of “making capitalism work” is of no significance, because all that matters is avoiding the collapse that Marx predicted or assuring all men of a decent standard of living. They will not understand the seriousness of the choice we face.

That choice, we repeat, is between the creeping socialist revolution we have been carrying on and the capitalist revolution which remains to be tried. We must not allow our acceptance of the immediate and surface benefits of mixed capitalism to blur our sense of the radically different directions in which these alternatives take us. The distance which our partly socialized economy has traveled along the road to the completely socialized economy of State capitalism may not be great enough yet to frighten us. But we should remember that it is difficult to stand still, especially in an economy that is subject

to constantly accelerated technological improvements, *i.e.*, one in which the contribution to production by capital is constantly growing as that of labor is diminishing.

If we try to perpetuate our mixed capitalism, but cannot keep it stabilized in its present state by keeping the conflicting elements in the mixture in their present proportions, in which direction will we move?

Forward to a more and more socialized economy with the specter of State capitalism at the end of the line? As soon as that prospect becomes real for them, most Americans will recoil from it.

Backward, then, to a less and less socialized economy but without any positive solution of all the problems of primitive capitalism? That way lies self-destruction.

The only way out is not to try to perpetuate our mixed economy but to transform it into the unmixed one of Capitalism by extirpating the socialist elements in the mixture. To do this without falling back into primitive capitalism, we must go forward along another path—the path of the capitalist, rather than the socialist, revolution.

We said earlier that our choice lay between perpetuating mixed capitalism and establishing Capitalism—that these were the only real alternatives for Britain and America. But it may be that we do not really have a choice at all.

If mixed capitalism cannot check the inflationary process of the last thirty years, if it cannot resolve the conflict between its policy of full employment and the technological advances that lie ahead, if by the very nature of the elements in the mixture the laboristic aspect of the distribution tends to expand and the capitalistic aspect to contract (just as in primitive capitalism the accumulation of capital tended to expand in the hands of its owners), then, perhaps, mixed capitalism, like primitive capitalism, contains the seeds of its own destruction.

In that case, our only choice is the capitalist revolution. Before we try to show that in that direction lies our salvation as a free society, we will advance some reasons for thinking that our mixed economy cannot solve its problem of inflation and full employment.



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