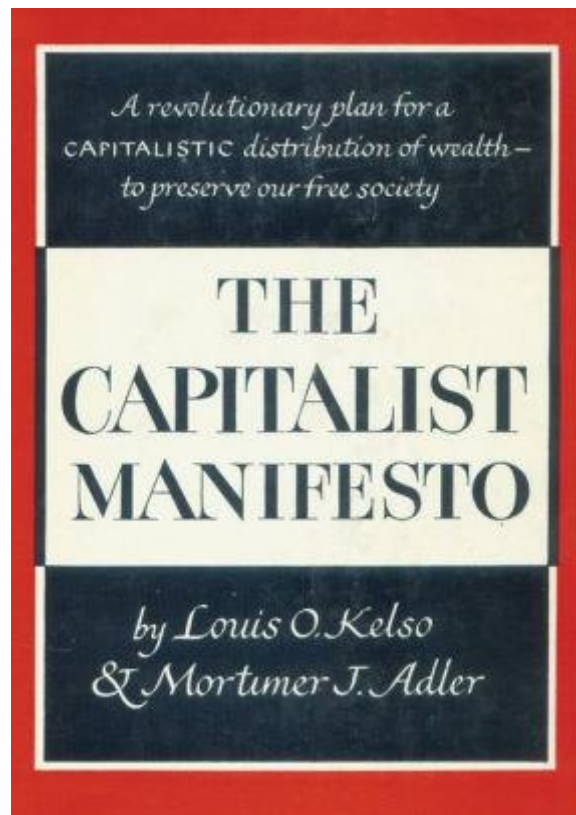


THE GREAT IDEAS ONLINE

April 2019

Philosophy is Everybody's Business № 989



THE CAPITALIST MANIFESTO

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

MIXED CAPITALISM'S INSOLUBLE PROBLEM: INFLATION

Inflation is a natural and necessary process in an economy that is capitalist in its mode of production and laboristic in its form of distribution. Over 70 percent of the wealth produced is distributed to labor, but over 90 percent of that wealth is produced, not by labor, but by capital instruments. Quite apart from the manifest injustice of this imbalance, it is in this ulcerous gap that the spiral of inflation breeds.

The ulcer cannot be healed without reversing the policies of full employment and laboristic distribution, upon which any attempt to perpetuate our mixed economy must rely. Upon them depends the widely diffused purchasing power that produces a balance between mass production and mass consumption. They are the shot in the arm that keeps our mixed economy functioning. It is precisely that shot in the arm which also produces the disease of inflation—a chronic and progressive disease which cannot be prevented without endangering the health of mixed capitalism.

When our fixed national policy of full employment collides with the irresistible moving force of technological progress, something must give. That something is the virtue of the monetary system—its stable value. The result is inflation. The relation between inflation, as it occurs in our mixed economy, and the policy of full employment can be concretely illustrated in the following manner.

The civilian labor force at the present time is approximately 66,000,000 workers. There are various estimates of the current rate of “productivity increase,” *i.e.*, the rate of increase in output in terms of man-hours of input. The most conservative is about 3 percent per year for the economy as a whole. Assuming for the economy an overall productivity increase of 3 percent per year, 1,980,000 workers each year become technologically disemployed (at any given level of production). Estimates of the number of new entrants into the labor market each year also vary, mainly because of the relatively incalculable factor of the increasing number of young and middle-age wives, even mothers of school-age children, who are entering the labor market. A median of the various estimates would be a net increase of 800,000 workers in the labor force each year, with the tendency to increase rather than decrease.

To comply with its policy of full employment, which, under a laboristic form of distribution, is essential to widely diffused purchasing power, our mixed economy must employ each year, under conditions of higher output with progressively less labor input needed, an additional 2,780,000 workers. The best thinking about the present state of the “increasing productiveness of capital” (as it should be called) holds that the newest developments in automation in the years immediately ahead will technologically disemploy workers at a rate substantially exceeding 3 percent a year.⁶² For present purposes, however, let us face the problem of how our mixed

⁶² See, for example, *The Scientific-Industrial Revolution*, a study published in 1957 by the New York investment banking house of Model, Roland & Stone; and also the report of the hearings before the Subcommittee on Economic Stabilization of the Joint Economic Committee, on *Automation and Technological Change* (1955) and on *Instrumentation and Automation* (1956).

economy can provide full employment for an additional 2,780,000 workers a year in an industrial system that turns out an ever increasing amount of wealth with a constantly diminishing use of labor.

One solution of this problem would be for the government to assign a quota of increased employment to each business firm each year, and to order each firm to employ fully, at prevailing or increased rates of pay, the additional number of workers through increasing their output, and at the same time to make all reasonable efforts to utilize the most productive machinery available. *Only a totalitarian state could enforce such measures.* In addition, if they were carried out by coercion, their effect would be extremely deflationary; for they would result in staggering increases in output without regard to the effect on business costs.

Absurd as the solution just proposed may be as a theoretically possible means of implementing a policy of full employment, since it is totally impracticable in a free society, it nevertheless helps to illustrate why the methods we must use to implement our policy of full employment are necessarily inflationary.

In order to maintain as much freedom as possible in our economy and still bring about full employment, it is necessary for us continuously to raise output in a constantly accelerating orgy of production, yet without rigid government control of wages, prices or methods of production. But in the face of the increasing productiveness of our capital, there is no way of constantly raising output to a level commensurate with full employment, while leaving the economic participants relatively free, except by constantly increasing our artificial stimulation of purchasing power.

We have ceased to think of many of these stimulants in connection

with the problem of providing full employment, but that is one of the principal ways they function. A mere enumeration of some of the devices now in use to overstimulate purchasing power will indicate how far we have gone in this direction. It will also show how radical our future steps must become to keep pace with the relentless advance in the increasing productivity of capital. The following are some of our more potent stimulants to purchasing power.

1. *Constant union pressure upon wage levels, supported by extensive grants of the countervailing power of government.* Largely as a result of these forces, wages are raised well above their competitive levels.
2. *Defense spending, which now amounts to about 40 billion dollars a year.* While spending on defense increases production—and therefore employment—it satisfies no consumer desires. The defense products, therefore, do not absorb any of the purchasing power arising out of their production, thus leaving this purchasing power to be used in the further stimulation of production, and therefore of employment in other industries.
3. *A governmentally encouraged system of easy construction mortgage credit, giving a vast stimulation to the high-employment building trades.* At the present time there is outstanding some 103 billion dollars in housing mortgage credit, 36 billion dollars in multi-family and commercial mortgage credit, and around 10 billion dollars in farm mortgage credit.
4. *A governmentally encouraged system of easy consumer credit for durable goods, of which some 42 billion dollars is now outstanding.*
5. *Governmental subsidization of farm production, and therefore of farm employment, with about 8 billion dollars of farm surpluses in government hands today, notwithstanding gifts or sales below cost of vast quantities of these stores in recent years.*
6. *Defense stock-piling of minerals and strategic materials, with the effect of stimulating production and employment in the mining and processing industries.* About 8 billion dollars of such materials are now on hand and, notwithstanding the passing of the strategic goals, great pressure is building up to continue these programs.
7. *Foreign aid subsidies, frequently taking the form of credits for purchase of goods in the United States.* Over 40 billion dollars of such subsidies have been granted since 1948.
8. *The “emergency facility” rapid amortization program, heavily*

used during World War II and initiated again after the outbreak of hostilities in Korea in 1950. Between November, 1950, and June, 1957, 21,946 certificates of necessity have been granted by the Office of Defense Mobilization upon 38.3 billion dollars of new construction, of which 23.1 billion dollars has been certified for rapid write-off against corporate income taxes. This is, in its economic effect, an aggregate of 23.1 billion dollars of governmental interest-free loans for the purpose of stimulating the construction of over 38 billion dollars of new plants and equipment.

9. *The steady expansion in the number of civilian employees of federal, state, and local governments.* From 1949 to 1957, the aggregate number of governmental employees rose from 5,856,000 to 7,388,000. Of these, nearly 2,400,000 were civilian employees of the federal government.
10. *Social Security payments in excess of those actuarially supportable by the social security fund.* There are many actuaries who believe that the social security fund is but a fraction of liabilities already accrued against it. If so, current social security payments may be considered as partly, if not largely, overstimulation of consumer demand in excess of the payments which would be actuarially proper on the basis of the reserves against such liabilities. In effect, this would be simply a rapidly increasing but unrecorded national debt currently incurred to support mass purchasing power.
11. *The very persistence of the federal government's debt in the face of unprecedented economic prosperity.* This represents nothing but the overstimulation of consumer purchasing power. Rather than reduce our debt during an era of prosperity, the best we have been able to do is to prevent it from increasing beyond 275 billion dollars. The failure of the government to reduce its debt during the decade since the end of World War II without question reflects an unwillingness to incur the shrinkage in consumer purchasing power which such debt retirement would cause.

Each year, as it becomes more and more difficult to maintain full employment in an economy in which the output of wealth is expanded by the constantly higher productiveness of capital, the orgy of production must be stimulated to ever higher peaks. The pace of technological advance itself accelerates the process.

The stimulation of production by the creation—through credit, wage raises, etc—of sufficient purchasing power in excess of that generated through the normal distribution of wealth is now the accepted policy of both political parties in the United States. Both have

espoused the national policy of full employment as formulated by the Full Employment Act of 1946.

Under this policy, progressive and increasing inflation is a normal and necessary result of the overstimulation of production through constantly increasing mass purchasing power.⁶³ The productive system is capable of expanding its output to untold limits—to levels not now contemplated in our wildest dreams—provided the purchasing power, the fuel of this mighty engine, is applied in ever increasing quantities. But the system needs a constantly diminishing proportion of labor, through whose ranks the

⁶³ Lord Beveridge, who, through his book *Full Employment in a Free Society*, New York, 1945, was one of the intellectual pioneers of laboristic distribution, in a speech on October 20, 1956, in London, noted that one of the disastrous results of simultaneous attempts to have both *full employment* and *a free society* is inflation. Lord Beveridge said: “Most of my working life was spent in University service. When I left that service to become a politician in 1945, I was able to take with me for superannuation enough thousand pounds to feel fairly happy for my future. Now each of those pounds is worth about 6s. 8d. Like many other healthy people in the seventies I am in danger of living longer than I can afford to live. Our plans for useful old age are all going hay-wire. The underlying reason for that is the claim of each industry to fix its own money wages by sovereign action. Under full employment, that is leading to destruction of the value of money, and is spreading wide-spread poverty among all who are trying to live on savings or fixed pensions.”

mass purchasing power must be diffused by full employment. Out of these conflicting tendencies is born the paradox that our economy, characterized by the greatest assembly of labor-eliminating machines and devices on earth, has the highest proportion ever reached of both men and women engaged in paid employments. A constantly increasing proportion of the population must enter the labor market if the laboristic distribution of wealth is to keep pace with the increasing productiveness of capital.

Another solution of the problem has been proposed. It is offered as a means of providing full employment through the pressure of generating excessive quantities of purchasing power, *while at the same time preventing inflation*. It is strongly advocated by some of our most prominent labor leaders and by many political exponents of the theory of “full employment without inflation.”

This theory proposes the observance by business—voluntarily, if possible; otherwise involuntarily, under government coercion—of two policies. One is a policy of limiting wage increases to so-called productivity increases. The other is a policy, to be pursued by business, of abstaining from raising prices in response to increases in wages where such increases are limited to “productivity increases.”⁶⁴

With regard to the second of these policies, we should note first that it calls upon business to abandon the competitive setting of prices, just as our mixed economy has long since abandoned, or suppressed, the competitive setting of wages. Regardless of the competitive forces at work in the market, the application of the second policy would arrest the prices of products and services, while the application of the first would automatically increase the wages of labor at a rate commensurate with the increasing productiveness of capital instruments.

⁶⁴ For a clear statement of these two policies, see Philip Murray's Annual Report for 1952, reprinted in the Supplement to *The People Shall Judge*, Chicago, 1956: 278-294. For what closely resembles an affirmation of them, see President Eisenhower's State of the Union message delivered to Congress, January, 1957.

We must look deeper, however, to see the ultimate significance of the theory of full employment without inflation.

As we have already noted, one essential right of private property in an instrument of production is the right to receive the wealth produced by that instrument, *i.e.*, a return proportionate to the value of the contribution it makes to the production of wealth. The only impartial determination of the value of that contribution is one made through the operation of supply and demand under conditions of free competition. We estimate that the productive power of capital instruments accounts for over 90 percent of the wealth produced, but that over 70 percent of that wealth is distributed to labor in accordance with our mixed economy's partly laboristic and partly capitalistic form of distribution.⁶⁵ This means that one of the most essential rights of private property in capital has already been greatly attenuated. It also means that effective and highly concentrated ownership of capital in about 5 percent of the households of our economy is incompatible with the production of some 90 percent of the wealth by capital instruments.

Now the proposal by advocates of "full employment without inflation," translated into language which recognizes that increased "productivity" is the increased economic productivity of capital, comes to this: that wages should be allowed to increase in proportion to the increase in the wealth produced by capital. In point of fact, these "productivity increases" are increases in output that result from additional investment in capital instruments. Hence the essence of the proposal is that a large portion, if not all, of the increased wealth produced by the new or improved capital instruments should be passed on to the workers employed in industry.

The ultimate meaning of the theory of full employment without

inflation is, therefore, that future capital formation should be subject to a process of socialization; for it is only through government regulation or through the countervailing power of government in support of organized labor that such an unjust distribution

⁶⁵ See pp. 40-43, *supra*, and also the Appendix, pp. 256-264, *infra*.

of wealth can be effected. If technological advance is not arrested, and if labor should continue to receive a larger and larger portion of the wealth produced by newly formed capital, then the rate of socialization—or, what is the same, the degree of attenuation of the right of private property in capital to receive a full return on what such property earns—will conform to the rate of technological progress.

Here, then, is the perilous dilemma that confronts our mixed capitalist economy.

On the one hand, to continue to carry out the policy of full employment without controlling prices or otherwise rigidly regulating the economy would be to allow inflation to reach the point where public confidence in the monetary system is gravely weakened. When that happens, controls equivalent to full public ownership of capital by the state will most certainly ensue.

On the other hand, to adopt the theory of full employment without inflation is to initiate at once a process of further socialization and to project it at a rate which will be governed by the rate of technological progress. This, too, can only end in the complete socialization of our economy.

In either case, our mixed economy seems to be sowing the seeds of its own destruction. Even if we wished to perpetuate our system of mixed capitalism instead of dissolving its mixture in favor of Capitalism, we almost certainly would not be able to do so. When its inherent and incurable weakness becomes fully apparent to us, we may realize that, if we wish to avoid the complete socialist revolution of State capitalism, a capitalist counterrevolution is our only choice.

OUR ONLY CHOICE — CAPITALISM

It is one thing to have no choice because of inexorable necessities, and quite another to have only one choice when one thing is clearly seen to be the best means to the end we have in view.

We are under no necessity to choose the path of the capitalist revolution. Nothing compels us to make every feasible effort to establish

a capitalist economy based on a widely diffused private ownership of capital, instead of allowing the creeping socialist revolution to push us further and further in the direction of a capitalist economy based on the public ownership of capital and the complete control by the State of the production, distribution, and consumption of wealth.

Only when the organization of an economy is seen by us as something which by its justice or injustice either serves or defeats the ends of a free society and a good human life for all men, does Capitalism, as opposed to State capitalism, become our only choice. If we were not devoted to the institutions of political democracy, because through their intrinsic justice they afford all men the freedom and dignity essential to the pursuit of happiness, if we were not deeply imbued with the democratic faith in human equality, if we did not firmly believe that equality of opportunity in a truly classless as well as free society held out the promise of the fullest development of the potentialities of the human spirit—if these things did not constitute the ideal goal of our aspirations, we would be under no necessity to undertake the capitalist revolution. But given these ends, we have no other choice.

That being the case, we should not look upon the capitalist revolution as something forced upon us by the instability of our mixed economy and by the grave risks we would incur of ultimate consequences that we abhor, should we try to perpetuate it. Even if it were possible to perpetuate mixed capitalism in its present condition, with no more socialization and no greater concentration of political and economic power in the hands of government than now exists, we ought still elect to undo the mixture and try to create Capitalism. The obligation expressed in that word “ought” is both one of justice and one of prudence—one of justice insofar as Capitalism represents a justly organized economy as mixed capitalism does not, one of prudence insofar as Capitalism is clearly the better economic means to the political and human goods that constitute our ideal goal.

We need not argue the case for Capitalism on the basis of economic justice. That has already been sufficiently done in Chapter Five. What must be done is to show that Capitalism, of the various forms that an industrial economy can take, is the economic counterpart of political democracy and that, together with political democracy, it is the best means to the ideal of a classless society of free and equal men whose freedom and equality gives them all the opportunity for a truly human life.

However, a brief summary of the intrinsic justice of Capitalism is necessary for the purpose of showing how such justice creates an economic democracy that is the counterpart of political democracy,

and how together they serve the cause of freedom and human happiness.

Of all forms of government, democracy is the most just or the only perfectly just constitution of a political society. Tyranny enslaves men. Despotism, even when benevolent, degrades them to the level of children; for though it paternalistically takes care of them, it allows them no voice in their own government. Only constitutional or republican government grants men the political status of citizenship through which, with suffrage, they can participate in self-government. But some republics are constituted as oligarchies. These violate the natural right of all men to be citizens by conferring on the few, and refusing to the rest, the political liberty to which they are all equally entitled. Only the democratic constitution of a republic, with its basic principle of universal equal suffrage, grants all men citizenship, and so gives all of them the political liberty that comes from having a share in the sovereignty and from being able thereby to participate in self-government. Hence democracy is the only perfectly just form of government.

In like manner, Capitalism is the only perfectly just form of an industrial economy. By its preservation of private property in capital as the chief means whereby men can, in an industrial economy, participate in the production and distribution of wealth; by its principle of proportioning distributive shares of the wealth produced on the basis of the contributions made to its production, as measured impartially by supply and demand in a freely competitive market; by its limitation of undue concentrations in the ownership of capital; and by its correlative effort to diffuse that ownership as widely as possible among the persons or families in the economy, Capitalism embodies all the principles of justice with regard to the distribution of wealth and protects the right of every man to subsistence, and its inseparable right to private property as a means of earning that subsistence. A purely capitalistic distribution of wealth in a highly productive capitalist economy gives full effect to these basic rights.

Thus it is clear that Capitalism will produce economic democracy or the counterpart in the economic order of democracy in the political order. As democracy is a polity in which it is possible for all men to participate as citizens, so Capitalism is an economy in which it is possible for all men to participate as capitalists. As their participation in government through the suffrage of citizenship gives them political liberty, so their participation in the production of wealth through the ownership of capital will give them economic freedom.

Furthermore, it is in respect of their all being citizens alike that men enjoy political equality. They are not divided into a ruling and a subject class. So it is in respect of all having alike the opportunity to

participate in production as capitalists that men will enjoy economic equality. They will not be divided into an owning and a laboring class (*i.e.*, capitalists and proletariat). Hence the establishment of Capitalism as the economic substructure of democracy will produce for the first time in history the ideal classless society in which the whole mass of humankind will constitute a single class— one that is truly privileged and justly so.⁶⁶

⁶⁶ It is often said that the institution of private property provides the economic basis for democracy. That is not the case; or rather, it is a misleading half-truth. The institution of private property may be necessary for economic freedom, but by itself it is hardly sufficient for the diffusion of such freedom among all who should be citizens in a democracy. In primitive capitalism, the small capitalist class, in whose hands the private ownership of capital was concentrated, were among the most strenuous and obstinate opponents of all efforts to move toward political democracy by extensions of the franchise to the nonpropertied working masses. Hence it is Capitalism—the diffused ownership of capital, not just the private ownership of it—that creates the economic substructure appropriate to democracy.

We just referred to Capitalism as providing the requisite economic substructure for democracy. That statement is intended to convey not only the subordination of the economic to the political order as a whole, but also the necessity of economic freedom for the protection and vitality of political liberty.

The second point needs further comment. We have pointed out several times the reluctance or refusal of our ancestors to extend the franchise to workingmen, or to grant equal suffrage to propertied men of leisure and to those who were dependent for their subsistence on toil and had to work twelve hours a day or more from childhood to the grave. One reason they gave for this, as expressed by John Adams and Alexander Hamilton, was that no man who was dependent for his subsistence on the arbitrary will of others (as propertyless laborers were in those days) had the economic independence requisite for citizenship and the use of political liberty.

There were other reasons, too. It was felt that since the propertied and the propertyless did not belong to the same economic class, neither should they belong to the same political class. Furthermore, it was thought that the owners of property, by reason of their property, had more at stake than the propertyless workers; and in a sense they did. This led to the maxim that the country should be run by those who owned it. Finally, John Stuart Mill pointed out, as Aristotle had before him, that the trouble with making workingmen citizens is that they had neither the education to fit them for the duties of citizenship nor the leisure in which to exercise citizenship by an active participation in government. As a simple matter of fact, this was as true

when Mill wrote his essay on *Representative Government* in 1863 as it was when Aristotle wrote the *Politics* in the fourth century B.C.

The good sense in all of this would seem to point to the conclusion that the universal ownership by individuals of wealthproducing and income-bearing property, which is capital in an industrial economy, is needed as the economic basis for the universal possession of political rights and privileges which come with citizenship in a republic. Nevertheless, it may be argued that it is not necessary for all men to be capitalists in order for them to be made citizens, to be trusted with political liberty, or to be relied on to take an active and responsible interest in public affairs because they have a serious stake in the results of self-government.

In support of such objection, it may be argued that we have universal suffrage now and that it is working reasonably well even though under our mixed capitalism only a relatively small number of citizens are also capitalists in any significant sense of that term. It is working well, it may be contended, because the spread of universal public schooling with the extension of the franchise until one has become as universal as the other, has provided the education prerequisite for citizenship. That, together with the steady reduction in the hours of work which industrial production has made possible and which organized labor and government regulations have made actual for the working masses, provides them not only with the training for political life but with ample opportunity, in the time that has been freed for leisure, to participate actively in the affairs of government.

All this has been done in support of democracy by our mixed capitalist economy and without making all men capitalists in order to enable them to be good citizens. Why, then, is Capitalism required as the economic substructure for democracy?

The answer is to be found in two considerations. Neither has to do with education or time for leisure; for it must be admitted that these prerequisites of citizenship can be provided without making all men capitalists. But these are not the only prerequisites.

One of the additional considerations is the kind of economic independence which can be had in a capitalist economy only by being a capitalist. In our mixed economy, those who are neither capitalists nor members of labor unions do not gain their subsistence without dependence on the arbitrary will of other men. And those who enjoy such economic security and independence as they have through the power of organized labor, together with the power of government in support of organized labor, do not have their economic security and independence in function of their own property, but only by a struggle for power in the war of class against class.

Even if every labor union were organized and operated in the image of democracy, its members would still not be as economically free as men who had a grasp on their livelihood as independent individuals rather than as members of a group, and had it as a matter of personal right rather than as a matter of organized might. Since the power of labor unions depends upon the countervailing power of government, to have a grasp on one's livelihood through organized might is to be dependent for it on the power of government. This is the second of the additional considerations mentioned above.

Both of these considerations entered into Thomas Jefferson's argument that an agrarian, as opposed to an industrial, economy provided the economic basis for republican government. He pictured an agrarian economy as one in which the great majority of families obtained their subsistence from farms they owned and worked, instead of being dependent on wages and employers as were the families of the workers in the manufacturing cities that were just beginning to arise. The land-owning farmer had the kind of economic independence which, according to Jefferson, was the ideal basis for citizenship and for a vigorous as well as virtuous use of political liberty.

Such men were not beholden to government for their subsistence or their independence. Their hold on both was integral to their ownership of income-bearing property. Consequently, they were in a position to participate in government as independent persons. They did not seek to endow government with extraordinary powers in order to give them freedom. On the contrary, because they had their freedom in their own property and in their citizenship, they sought to limit the powers of government to such as were necessary to protect their property and safeguard their rights as citizens.

What Jefferson said in terms of a laborist agrarian economy, what Aristotle had said before him in terms of a similar economy, holds true of a capitalist industrial economy. We need only transpose the terms. In place of the slave-owning aristocrat who was the ideal citizen in Aristotle's day, or in place of the land-owning farmer who was the ideal citizen in Jefferson's day, we need only substitute the capital-owning *common* man as the ideal citizen in our own day. In all three cases, such men have the kind of independence that is needed for self-government; and since they have their economic and political freedom by right, not by might, they will try to limit the powers of government to those necessary for the protection of their rights.

But while Capitalism will thus serve democracy, and while together they will create an economically and politically classless society, that is not the ultimate contribution which Capitalism can make to human life. Under Capitalism, as the participation of men in the

production of wealth through the employment of their labor diminishes, their participation through their ownership of capital will increase. Under Capitalism, men will be saved the waste involved in all the unnecessary forms of toil that our present mixed economy imposes.

It requires no special insight to see that labor spent in the production of agricultural and industrial surpluses is wasted toil; nor to understand the mystery of why, as hours are shortened under the pressure of organized labor, increasing numbers of workers hold two and three jobs and an increasing number of married women with growing children enter the labor market. A laboristic distribution of wealth requires labor, whether or not it is needed for the production of desired wealth. Only Capitalism invites all men to go beyond the production of wealth to what is essential to their happiness once their subsistence is assured—engagement in the liberal pursuits of leisure which produce the goods of civilization and of the human spirit.

In this respect Capitalism, as a justly organized industrial economy, has a marked advantage over the most justly organized laborist economy of which the past can boast. In a just laborist economy, where no man was a slave, all men had to spend most of their life and energy in toil for subsistence. No man enjoyed the leisure of purely liberal work.

In the laborist economy that was built on the grievous injustice of chattel slavery, some men—the members of the leisure class—were able “to live well by engaging,” as Aristotle said, “in philosophy and politics,” or, in other words, by spending most of their life and energy in purely liberal work productive of the goods of civilization: the liberal arts and sciences, the institutions of the state and of religion.

Any capitalist economy, by its very nature as a system of industrial production, can be the most potent source of time for leisure work that the world has ever seen. The *possibility* of leisure for all men is equally present in a State capitalist economy, such as that of Soviet Russia, and in a mixed capitalist economy, such as ours. But both State capitalism and mixed capitalism involve a laboristic distribution of wealth which makes both of them erect false ideals about human work for subsistence. The liability of all to labor is one of the tenets of State capitalism. The goal of full employment is a central objective in the scheme of mixed capitalism. Neither of these is a sound ideal according to the principles of Capitalism.

The ultimate goal of Capitalism is not full employment on the level of subsistence work but rather the fullest employment of one’s time in leisure work. Far from its being morally sound for all men to be

liable to labor, the moral truth is rather that all men are obligated to spend as much time as they can in liberal pursuits. And if it is possible for them to spend most of their time in liberal activities, because they obtain a viable income from the productive use of their property in capital, there is nothing immoral about their not spending any time or energy in doing subsistence work, especially that which is mechanical in quality. Capitalists, of course, must devote time and effort in the management and husbanding of their property, but this is an activity that is at least liberal in quality.

When we refer to liberal pursuits, we have two things in mind. One is purely liberal work of the sort that is exemplified in the activities of statesmen, philosophers, scientists, artists, teachers, etc. The other is the kind of work that is done by technicians and managers who, even though they are engaged in producing wealth rather than the goods of civilization, are nevertheless performing activities which are liberal in quality though employed in the production of subsistence.

Men who enjoy such activity, as compared with philosophy, pure science, the fine arts, and teaching, may have a lower aim so far as an absolute order of goods is concerned. But so far as the human quality of the work is concerned, they are engaged in creative activity that has all the essential characteristics of leisure.

In addition, those who are engaged in the management of large-scale industrial enterprises are, within their own corporations, performing the quasi-political functions of legislation, adjudication, and administration. And in the relation of private corporations to one another and to the agencies of government, the managers of business and industry, like the heads of private universities, hospitals, and foundations, should function as statesmen.

With this important qualification in mind, it should now be possible to say, without misunderstanding, that the ultimate aim of Capitalism, beyond the establishment of economic justice and freedom, is the enjoyment of leisure by all men in the major portion of their life's time. Thus it aims to do for all men what a primitive laborist economy could do for none, and what a civilized laborist economy based on slavery succeeded in doing only for the few. By substituting machines for slaves, under conditions of advanced industrial production, both State capitalism and mixed capitalism are in a position to do for all men what the slave societies of the past did for the few. But because of their fundamental errors and confusions about the disposition of capital and labor in the production and distribution of wealth, they do not clearly and consistently aim at this result. On the contrary, they often tend in the opposite direction. Only Capitalism, by the soundness and consistency of its principles,

aims at the right human result—the good life for all men.



THE GREAT IDEAS ONLINE

is published weekly for its members by the

CENTER FOR THE STUDY OF THE GREAT IDEAS

Founded in 1990 by Mortimer J. Adler & Max Weismann

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A not-for-profit (501) (c)(3) educational organization.

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