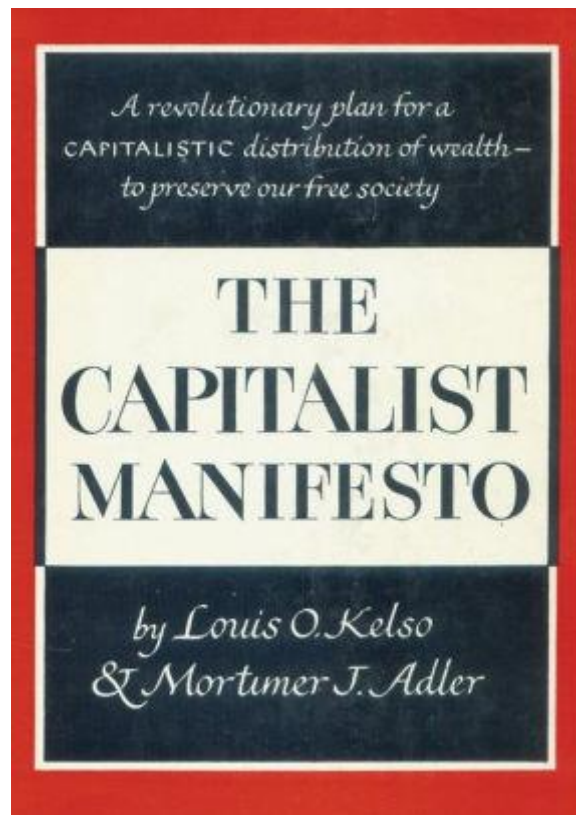


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THE CAPITALIST MANIFESTO

**by Louis O. Kelso
and
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PART TWO

THE PROGRAM OF THE CAPITALIST REVOLUTION

9 SUMMARY OF THE PRACTICAL PROGRAM

THE NATURE OF THE PROPOSALS

The argument that the capitalist revolution is our only choice, no matter how sound, would be an academic exercise if a feasible program of bringing it about could not be devised. The conception of Capitalism as the only just organization of an industrial economy, and as the economic counterpart of democracy, deserves sustained public attention only if it has practical as well as theoretical truth.

We think that the theory of Capitalism can be put into practice. We think that those who are convinced by the argument that carrying out the capitalist revolution is our only way of avoiding complete socialism are right now in a position to begin acting on that conviction. The main propositions that constitute the theory of Capitalism and the argument for it lead to a whole series of practical proposals for accomplishing the necessary reforms of our present, only partly capitalistic, economy. The chapters which follow set forth the practical steps we recommend as worthy of the most serious consideration.

It is one thing to state the propositions of a theory and quite another to advance practical proposals for the reform of existing institutions. In the one case, we are engaged in the kind of thinking that stands or falls by the ordinary tests of truth—the evidence of facts and the soundness of principles. But in the other, we are trying to plot a course of change in human affairs, beset by future contingencies that are not foreseeable, or only dimly so, and complicated by the habits and prejudices of all the human beings involved. Any thinking one can do about such matters stands or falls by a different sort of test—

—the agreement, on the part of all who are asked to undertake the changes proposed, that the proposals advanced are, or are not, worthy of practical deliberation and public debate.

At one time, we felt that we had discharged our responsibilities to the future by stating the theory of Capitalism and arguing for the truth of its propositions, including the proposition that the future of our democratic society requires the capitalist revolution to provide it with the economic substructure it needs. We felt that any practical program for carrying out that revolution must be developed by the joint efforts of everyone involved, especially by the practical deliberations of the leaders in our political and economic life—our statesmen, legislators, administrators, business executives, labor leaders, bankers, lawyers, engineers, economists, scientists, philosophers, and educators. We felt that any attempt on our part to lay down a detailed blueprint for a course of action that it may take fifty years or more to carry out would be presumptuous, not only because of all the unforeseeable future contingencies involved but also because of all the sources of wise opinion that should be consulted before practical deliberation can come up with a sound program of action.

Our reluctance to risk the presumption involved in advancing practical proposals, no matter how tentatively they are presented, has been overcome by the experience we have had again and again in discussing with others the idea of the capitalist revolution and the theory of Capitalism. We were repeatedly asked to give some reasons for thinking that our mixed capitalism could be transformed into a completely capitalistic economy. We were repeatedly told that, regardless of the truth of the theory and regardless of the consequences for mankind of failing to put it into practice, it is now too late to do anything about it. It might have been possible to create Capitalism out of whole cloth, had its principles been recognized and accepted at the outset of the industrial revolution; but the path we have already taken from primitive capitalism to mixed capitalism no longer permits us to turn the other way.

It is in response to these queries, doubts, and misgivings that we have decided to outline what we hold to be a feasible practical program. We think that its proposals show that it is not too late to change the direction our society has been following. We think that the proposals are sufficiently practicable as outlined to warrant the best efforts of everyone concerned to make them more practicable.

We have no doubt that they can be improved in every way, that they can be supplemented by additional recommendations as unforeseeable developments must be taken into account, and that they can be implemented in detailed ways that no one at present may be able to

devise. These proposals are necessarily dated. Were we or anyone else to reconsider them a quarter of a century from now, the proposals would most certainly be modified to fit circumstances beyond anyone's present imagination. What has always been true of the task of plotting for the future is especially true in a century of constantly accelerated technological progress.

In submitting these proposals to our fellow citizens, we are acutely aware that the detailed legislative and business reforms which are necessary to bring about the transition to a completely just and also a completely capitalistic society call for the most intense study that can be given them by the best economic, political, legal and scientific minds in our society. With such study, we have no doubt that an entirely workable program can be devised for guiding our economy away from its trend toward socialism and in the direction of Capitalism. We also have no doubt that that program can be put into effect through due process of law and under the auspices of public as well as legislative debate. Both the program itself and the ways of working it out are perfectly consonant with the genius of our established institutions.

We know that any set of practical proposals for a radical change will elicit ill-considered criticism as well as careful study and constructive effort to improve them. We are willing to risk the one for the sake of the other. But in facing both of these alternatives, we hope the following things will be borne in mind: that we do not believe these proposals are the final or the best proposals which can be devised; that we do not believe they can be acted on without sustained study and deliberation; and that we do not believe that all their shortcomings can be foreseen by anyone whose vision of the future is limited.

Nevertheless, we do believe that the measures proposed are workable, and that they demonstrate the feasibility of the capitalist revolution. In fact, we would argue that they are more workable than any measures we would have to take to postpone or prevent the complete socialization of our mixed economy without at the same time trying to direct it toward Capitalism. If that is so, then our proposal of these measures does not relieve others of their own obligation to consider the problem that confronts all of us. Everyone is called upon to think practically about how that problem can be solved.

With these cautionary remarks, we turn at once to an outline of the practical program, stating first its general policies and then its specific recommendations. The chapters to follow will discuss the practical implications of the specific measures proposed.

GENERAL POLICIES

The following general policies should guide the course of action to be undertaken. Our concerted effort should be:

1. To broaden the ownership of existing enterprises.
2. To encourage the formation of new capital and the organization of new enterprises owned by new capitalists.
3. To discourage the concentration of the ownership of capital by households where such concentration has passed beyond the point determined to be the maximum consistent with a just organization of a completely capitalistic economy.

SPECIFIC RECOMMENDATIONS

Pursuant to the general policies stated above, we recommend the following specific measures:

1. Increasing the use of equity-sharing plans in industry.
2. Modification of death and gift tax laws to encourage the creation and the inheritance from generation to generation of a vastly increased number of viable capital estates.
3. As the transition to Capitalism progresses, elimination of the corporate income tax, together with adjustment of the personal income tax for the purpose of raising the necessary revenues of government from all the households of the economy in an equitable manner.
4. Elimination of governmental practices which directly aggravate the concentration of the ownership of capital.
5. Effective regulation of the economy by government to assure that free and workable competition is maintained in all markets except those rare instances in which, for technical physical reasons, monopolies must be permitted.
6. Recognition by the government of its obligation to assure all households in the economy a reasonable opportunity to participate in the

- production of wealth to an extent sufficient to earn a viable income.
7. Adoption of legislation designed to require mature corporations to pay out 100 percent of their net earnings to their stockholders.
 8. Development of a system of investment preferences for those households which have subviable capital estates, in order to promote their acquisition of viable capital estates.
 9. Encouragement of the acquisition of viable capital holdings by all households in the economy by tax and credit devices, accompanied by restrictions on the use of these devices calculated to prevent their being misused to develop concentrated or monopolistic holdings, or their being used for speculative purposes.
 10. Primary use of our credit system to promote new capital formation under the ownership of new capitalists in holdings of submonopolistic size, together with a diminishing use of credit to support consumption as balanced participation in production is progressively achieved.



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