

1 WHY A CAPITALIST MANIFESTO?

THEN AND NOW

In 1848, a world-shaking document, now known as the *Communist Manifesto*, sounded the call to overthrow primitive capitalism—a term we will define later. Actually, the title was *Manifesto of the Communist Party*. This fact is significant for the comparison we wish to draw between that manifesto and this one, which we hope will replace it as a call to action.

Ours is not the manifesto of a revolutionary party dedicated to overthrowing the established order. It is instead a revolutionary manifesto which calls upon the American people as a whole to find in the established order the reasons for its renovation and the seeds of the better society we can develop. The end, at last in view, is that ideal society to which America has always been dedicated and toward which it has made great progress since its beginning.

THE CAPITALIST MANIFESTO is intended to replace the *Communist Manifesto* as a call to action, first of all in our own country, and then, with our country's leadership, everywhere else in the

world. It is our industrial power and capital wealth, together with our institutions of political liberty and justice, that make America the place where the capitalist revolution must first take place to establish economic liberty and justice for all.

But while we intend this Manifesto *for* capitalism, to replace the earlier one *against* it, and while we have every reason to hope that the principles and program of this Manifesto can win the minds of thinking men, we cannot deceive ourselves that it will ever have the blind emotional appeal that made the earlier Manifesto so powerful a revolutionary force.

Perhaps a word should be said about our use of the words "capitalism" and "capitalist." These words have different connotations for different people, as do "communism" and "communist."

The unfortunate connotations of "capitalism" come from the widely prevalent habit of applying it to the kind of industrial economy which flourished in England and the United States in the middle of the nineteenth century, and which persisted with only minor modifications until the first decades of the twentieth. Almost everyone agrees today that the economy needed to be reformed; and in consequence, many who approve of some or all of the economic reforms that have occurred in America in the last thirty years are apt to be sensitive to certain overtones that the word "capitalism" has in general usage.

Nevertheless, we feel that "capitalism" is the right word to use as the name for the ideally just organization of an industrial economy. In later chapters we shall identify and name forms of capitalism which are far from being embodiments of economic justice, among them not only nineteenth-century capitalism but also the kind of capitalism that exists at present in England and the United States, on the one hand, and the kind that exists in Soviet Russia, on the other.

It would be a mistake to relinquish the word “democracy” because that word was used in the past for a form of government that was far from being just, as in the case of the slave societies of antiquity in which only a small portion of the population was admitted to citizenship and granted the political rights to which all men are entitled as a matter of justice. We think it would be a mistake of the same sort to relinquish the word “capitalism.” As we employ the name “democracy” for the just polity that has only recently begun to exist, so we should employ the name “capitalism” for the just economy that can be brought into existence. To bring that about is the objective of the capitalist revolution.

THE PREVAILING SENSE OF WELL-BEING

We are initially addressing ourselves to Americans—to men who feel well-off—and not to the starving, downtrodden victims of injustice and oppression. We cannot exhort them to engage in violence, and to do so without fear because they have nothing to lose but their chains. We must persuade them, in much calmer tones than that, to act rationally, with insight and prudence, because they do have something to lose—their freedom—which an abundance of creature comforts may have lulled them into forgetting.

Men who *think* they already have all the liberty and justice they can expect, in addition to plenty of material goods, cannot be emotionally exhorted to take radical measures for the improvement of their society. They can only be asked to *think again*.

We might properly begin THE CAPITALIST MANIFESTO with the statement that the specter of communism is still haunting Europe and the world. Such a declaration should strike terror in the hearts of Americans. But most Americans have been rendered impervious to it by the pervasive feeling that it cannot happen here. Most of us do not realize that something approaching it has already

happened here, and that if we continue along the paths we have taken in the last thirty years, we can go even further in the wrong direction. Again, it is our general sense of well-being that prevents us from realizing what has happened to us and what threatens to happen.

When the *Communist Manifesto* first announced that the specter of communism was haunting Europe, that society as a whole was split into two great hostile camps—the owners of capital and the employers of labor, on the one hand; and the propertyless workers, or proletariat, on the other. Marx and Engels admired the power of capital. “The bourgeoisie,” they asserted, “during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together.” But they deplored the consequences of the power wielded by the owners of capital.

Capital property was owned by less than one-tenth of the population, under whose tyrannical will the remaining nine-tenths lived like slaves. Hence the authors of the *Communist Manifesto* called for the transfer of all private property in capital instruments to the State, where it would be administered—they claimed—for the benefit of all men.

Let us now consider the situation in America today and the condition of those to whom THE CAPITALIST MANIFESTO is addressed. This manifesto is written in an atmosphere that is not merely free from the starvation and degradation of the masses, but in which almost the whole of society is enjoying the highest standard of material well-being ever known to a nation or to any significant number of individuals. Not only do we have high wages and full employment, but so great an opportunity for employment that a proportion of wives and mothers higher than ever before can find jobs in commerce and industry, in many cases to raise even higher an already high family standard of living. Largely through the efforts of labor unions, heavily fortified by legislation

born during the Great Depression of the nineteen-thirties, the general hours of employment have been reduced again and again, until today few people regularly work more than forty hours a week. Some industries are already stabilized at thirty-six hours a week, and the leaders of the great union, the AFL-CIO, are already talking seriously about the thirty-hour week, the regular month-long vacation, the periodic three-month vacation, and more holidays.

The general talk about “American Capitalism,” “Modern Capitalism,” or “People’s Capitalism” pictures something that looks like the very opposite of nineteenth-century capitalism as described by Marx and Engels. On all sides we hear that this current brand of capitalism is something entirely new in the last three decades, and that it fulfills the promise of a high standard of living for all, a high degree of freedom from toil for all, and the most generous measure of personal freedom for all. The secret formula of this happy state of affairs we attribute in large measure to the intellect of John Maynard Keynes. The principal parts of the formula can be stated as follows:

1. Mass consumption is necessary if all members of a society are to have a high standard of living. What is more significant, mass consumption is necessary to support mass production in an industrial economy.
2. But mass consumption cannot exist or continue unless there is a mass distribution of purchasing power.
3. The proper method of creating a mass distribution of purchasing power is mass employment: *i.e.*, “full employment” or the employment of every person who would like to be employed.
4. Since prosperity and well-being depend upon the successful distribution of purchasing power, this can be achieved through progressively raising, by union pressure and legislation, wages, social security payments, unemployment compensation, agri-

cultural and other prices; and through the free use of income taxing power and other powers of government to promote full employment.

By the Employment Act of 1946, we have adopted a national policy of maximum employment.

At last we seem almost on the verge of feeling that we can cope with that nightmare of an industrial economy—*the depression*.

In short, capitalism, once denounced as exploiting and oppressing the worker, seems to have evolved into a system which provides the benefits once claimed for socialism, but without—it is believed—the loss of freedom that inheres in socialism.

The good life for the worker seems to have been discovered in America. Justice seems to have reformed and made decent the once pitiless primitive capitalistic economy.

OUR MACHINE-PRODUCED HAPPINESS

The cause of this felicitous state of affairs, we are told, is the ever increasing use of ever more efficient capital instruments. These tend constantly and endlessly to raise the “productivity of labor,” and thus account for an ever increasing output of goods and services per worker employed. The principal guide to management and labor in negotiating these perpetually increasing wages is that “wage increases and benefits should be consistent with productivity prospects and with the maintenance of a stable dollar.”¹

Labor leaders are in full agreement with this principle. They openly and frankly support technological advances which in turn raise the “productivity of labor,” which in turn calls for increases in

¹ Economic Report of the President, 1957, p. 3.

wages to provide the mass purchasing power to support the mass production, etc.²

The net result of all this, and of the general progress of scientific development in and for industry, is that the rate of technological advance is accelerating. Instead of finding ourselves confronted with a point of diminishing returns, we find that this happy state of affairs promises to get happier as we make more and more technological progress, to which there is no end in sight.

No specter can threaten us while we are under the care of our guardian angel—our modern capitalistic economy!

OUR FEELING ABOUT SOCIALISM

In addition to the general sense of well-being that we all share and attribute to our form of capitalism, we are united in our feeling about socialism. As a people, we dislike it and rule it out as an acceptable alternative to capitalism.

It is all but universally agreed in the United States that socialism is the antitheses of the American way, that it infringes on human freedom, and that it should be avoided at all costs.

It is recognized—sometimes articulately, sometimes only intuitively—that the combination of economic power and political power in the hands of government officials is the very opposite of the American principle of the separation of powers and of our system of checks and balances. It is widely felt that such fusion of political and economic power, which inevitably results when the same

² See Philip Murray, *Annual Report, 14th Constitutional Convention*, C.I.O., 1952 (reprinted in Supplement to *The People Shall Judge*, Chicago, 1956). See also hearings before the Subcommittee on Economic Stabilization of the Joint Economic Committee on *Automation and Technological Change*, 1955: pp. 120, 220, 234, 287, 337, 419, 455, 463.

bureaucracy not only runs the political machinery of the state but also wields the economic power that is inherent in the state's ownership of industry, leads to the destruction of individual liberties. It is generally thought that individual freedom and private property are inseparably connected.

Our sense of the undesirability of socialism and our rejection of it as the antithesis of the American way of life adds to our satisfaction with the new capitalistic economy we have developed. By creating purchasing power to provide full employment, a satisfactory standard of living for all households, and high incomes for city dwellers as well as for farmers, we seem to have accomplished all that could be desired and, once and for all, to have discredited socialism as a remedy for the ills and instability of the modern industrial economy.

THE AMBUSH

With this economic paradise at hand, why would anyone have the audacity, the ingratitude, or the effrontery to call for the renovation of our society by a capitalist revolution?

A memorial to the new capitalism? Yes. A guidebook to explain its inner secrets to the uninitiated? Yes. But why a revolutionary manifesto?

Our answer is: To point out that while no specter is haunting America, socialism in a variety of ways is coming in by the back door; to explain that capitalism—"pure capitalism" or capitalism unmixed with socialism—is the only economic system compatible with political democracy; and to show not only that we are a long way from having such an economic system, but also that we have not yet become clear about the principles of such a system.

The picture of accomplished politico-economic perfection is an illusion. What has been acclaimed as *American Capitalism*, *Modern Capitalism*, or *People's Capitalism* is a mixture of capitalism and socialism. If the process of socialization is carried forward with the tremendous technological advances now impending, we will be brought closer and closer to complete socialism, *i.e.*, State capitalism. Nothing can stop this process except the capitalist revolution.

What appears to be the increasing productiveness of labor is not the increasing productiveness of labor but the increasing productiveness of capital.

What appears to be the preservation of private property in the means of production, particularly in the capital wealth of corporations, is characterized by only a fraction of the rights that would justify its being called private property.

What appears to be justice in the distribution of incomes is in fact gross injustice.

What promises to free men from unnecessary toil is of such a nature that it must unavoidably saddle them with unnecessary toil.

What seems at first glance to be an economic order consistent with the American system of separated and balanced powers, as the most dependable safeguard of human freedom, is in fact creating a centralization of power that would have brought our ancestors to arms.

Though it is fashionable today to believe that we are advancing toward a sound capitalism, an understanding of the principles of capitalism will disclose that we are retreating from it and, instead, advancing toward a socialist state.

Never before has a society marched more joyously into ambush by the very forces it implacably opposes but does not recognize. We are faced with the spectacle of a nation sincerely seeking democracy and economic justice through means which it fails to recognize as destructive of both.

That is why we think a capitalist manifesto is in order. It is to clear up this case of mistaken identity that we wish to re-examine the nature of economic freedom, private property, justice in distribution, industrial production, and economic democracy. And, to supplement this, we will propose a series of wholly feasible changes, which we believe should be brought about to set our society on the course toward the fully developed capitalism that is the counterpart of political democracy.

AN APPEAL TO REASON

We have called this brief statement of theory and this outline of practical proposals a Manifesto because we think the occasion calls for a public declaration of the principles of “pure capitalism” and of a program which is calculated to achieve it.

The principles of capitalism have heretofore been seen only fragmentarily and in a confused manner. In their simplicity, they are applicable only to a mature industrial economy. Only in an economy which produces the preponderant portion of its goods and services by capital instruments, and which is well enough equipped with such capital instruments to produce and enjoy a high standard of living, can the truth as well as the feasibility of capitalistic economy be readily seen.

To grasp the truth of these principles, and to understand their consequences, requires careful, sustained, rational thought. The only appeal this Manifesto makes is an appeal for such thought about the problems we face.