

# What is Capitalism?

By Major C. H. Douglas

WHEN two opposing forces of sufficient magnitude push transversely at either end of a plank--or a problem--it revolves: there is Revolution. When the forces are exhausted, the revolution subsides, and the plank or problem remains in much the same position in space which it occupied before the forces acted on it. It is possible to conceive its molecules as being somewhat worn and giddy as a result of their rapid re-orientation, but their environment is otherwise unchanged. If, however, the forces act through the centre of resistance, actual motion results; the object is shifted bodily by the greater force, without revolution.

In the first portion of this metaphor is to be found the explanation of the devastating inconclusiveness which dogs the steps of the constant and increasingly embittered controversy between the forces of what is called Capitalism and its antagonist Labour, and for a recent instance of the phenomenon it is not necessary to go further than the Coal Commission. During the earlier part of the inquiry, up to March 20, it was made abundantly plain that an intolerable state of affairs existed in the coal industry. Mr. Smillie's attack was so well delivered, the evidence marshalled was so damning, that had the case been closed at that point the position of the miners, and with them, Labour generally, would have been inconceivably strengthened. But, unfortunately in the general interest, the case was not closed there. The ground was immediately shifted to a discussion of the merits of private, as opposed to nationalised administration

Now, I suppose it is a thankless task to say it, but the second question has about the same relation to the subject matter of the attack as has the strategy of a General to the pay of his troops. In consequence the issue now before the public is not whether the economic contract between the miners as members of the community, on the one hand, and the mining industry controlled by the colliery proprietors as producers for the community, on the other, is a bad and inequitable contract, but whether, under what is in essence the same contract, the miners' scheme of organisation is a better scheme than the employers'. Personally, I very much doubt it.

This is a matter which affects the general public quite as much as the miners themselves. It is fairly obvious that, recognising that Labour is determined to attack Capitalism, and having themselves no delusions about the real issue, the admirable brains behind the Capitalist organisation have decided, while providing just so much opposition as is necessary to register a protest, to allow an experiment on lines already discredited to be made at the expense of the consumer, in order that its stultification, which can be insured, will strengthen Capitalism elsewhere. Brer Rabbit, being in some danger, is betraying a special and exaggerated fear of the briar bush.

This is, of course, all very adroit: it shifts the opposing forces to the opposite ends of the

plank. The question for the molecules--the general public--however, is whether they care about the resultant revolution. If not, then their concern is to bring the opposing forces into line--to see that Labour is attacking what Capitalism is really concerned to defend.

The general public is more likely to do this if it can be brought to realise that it is really as members of the community, not as artisans, that the attack is operating.

The whole tendency of Trade Unionist, just as much as Capitalistic, propaganda is to obscure this fact, and by so doing split the offensive, but the most superficial consideration of the root idea of the existing economic system will establish it.

*Capitalism is not a system of administration at all: it is a system of fixing prices in relation to effort.* This is not to say, of course, that the personnel and methods of administration would not be profoundly affected and improved by a valid and radical modification of the capitalistic system, but such changes would be effects and not causes.

The root problem of civilization--not the only problem, but that which has to be disposed of before any other--is the problem of the provision of bed, board, and clothes, and this affects the ordinary man in terms of effort. If he has to work long and hard hours to obtain a precarious existence, then for him civilization fails. As the miner demonstrably had to work longer for a lower standard of life, measured in terms of purchasing power, than existed in the fourteenth century in England, then for him progress was not operative. But the reason he has to do these things is not at all that the coal mines are badly worked, although it is quite possible that they might be better worked, just as it is possible and excusable that the miners' efficiency is not so high as it might be under better conditions. The plain, simple English of the reason is that his wages will not buy him the things he wants. His own common-sense has consequently consistently been applied to the problem of raising his wages, but has for the most part stopped for want of technical knowledge at the recognition of the effect of this on prices.

In the December, 1918, number of the ENGLISH REVIEW, it was pointed out in a short article entitled "The Delusion of Super-Production" that the sum of the wages, salaries, and dividends distributed in respect of the world's production was diminishingly able to buy that production at the prices which the capitalist is by his system forced to charge. "Profiteering," in the sense of charging exorbitant sums in excess of cost, is a mere excrescence on the system. If the producer could be imagined as making no profit at all, the difficulty would still exist, quite possibly in an exaggerated form. That is why the policy of more and yet more production at prices fixed on a basis of cost and profit is a mere aggravation of the prevailing difficulty. Because the available purchasing power would absorb a decreasing proportion of this production it must be either exported or wasted, and both of these lead straight to war, the supreme waster.

Now, habits of thought are so powerful in their influence, that at first sight a statement that the correct *price* of an article may be a low percentage of its *cost* is apt to induce

both disbelief and ridicule. But if the matter be attacked from the other end, if it be realised that an article cannot be sold, nor can its exchange through export be sold, unless its average price is considerably less than cost; that if it cannot be sold the effort expended in making it is wasted; that if it is exported competitively every economic force is driving the community irresistibly towards war; it may then be agreed that it is worthwhile to consider whether the accepted principles of price making are so sacred that a world must be brought to ashes rather than that they should be analysed and revised.

The analysis has been made; and although the methods by which the results are arrived at are too technical for description in an article of this character, it may be said that the purchasing power of effort at this time should be certainly not less than five times its present return, and most probably very much more. In other words, with wages at their present level the cost of living ought to be one-fifth or less of what it is. The essential facts on which this statement is based are that production is overwhelmingly dependent on tool power and process; that tool power and process are a cultural inheritance belonging not to individuals but to the community, being largely the result of work done by persons now dead; and that in consequence the *equitable* return for effort includes a dividend on this inheritance which is immeasurably larger than the direct payment. Just as the time-rate of production has diverged from that possible to a community without tools, processes, or education, so to a corresponding degree has the present economic system become inequitable and unsound.

It is a matter of simple fact that men do not in the mass act together for ethical conceptions. That is why a strike can always be settled for the time on a money basis; and the only demand which will not be so disposed of is one which promises more purchasing power by its success than its opponents can in the nature of things dispose of, because such a demand will utterly divide them. But any demand which savours of the perpetuation and extension of a bureaucracy which is already highly unpopular will alienate not only the general public but the organised worker.

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