

Can Capitalism Survive?

by S. T. Bohee

THE downfall of capitalism and the profit system predicted by Karl Marx does not seem imminent today. However the demise of free enterprise is foreseen by Dr. Joseph Schumpeter of Harvard University, who, in his book entitled *Capitalism, Socialism and Democracy* states that he does not think capitalism can survive.

The well known economist was an admirer of the capitalist system and a stern critic of socialism, which he envisaged as being inevitable. Paradoxically, he sees capitalism doomed by its successes rather than its failures. To it he frankly attributes a high living standard, increase in real incomes, and increased shares to lower income groups. However, he sees the capitalist class lacking the ability to defend its own interests and offering only feeble resistance to collectivist and authoritarian concepts.

Creative Destruction

Dr. Schumpeter points to the dynamic character of capitalism, stating that changes, innovations and improvements are the unique elements instituted by the entrepreneur. Being an originator of new ideas and also of new risks for investment specialists, the entrepreneur clears the way for newer ventures. This he calls a process of creative destruction. The march of progress which began about 1900 is shown to be in danger, owing to certain factors which tend to limit investment opportunities, thereby causing the shrinkage of profits. One of these restrictive factors is the govern-

ment's invasion of finance, and the consequent tendency to usurp private investment operations for public investment.

Emphasis is placed also on the effect of automation and mechanization, not only in the industrial field, but in corporation organization. Some methods of production have reached a point where they seem to defy improvement in operations which are increasingly collective. Personality and individuality count for less and less as the committee and conference methods increase in favor. Impersonal operation is more and more superseding individual importance.

The Marginal Drift

If capitalistic operation becomes progressively mechanistic, the material gains of the investment class will eventually be reduced to the level of executive salaries. Investment opportunities will diminish and profits will approach a marginal limit. Increase of large scale production and operation, and the gradual elimination of small business firms is a trend toward a private bureaucracy.

Even more significant is the change in attitude towards capitalist operations and the profit system. The one-time proud aristocrat, as clearly delineated had the ability and strength to defend his class interests. The theory of divine rights gave glamor and prestige to the sovereign by which he commanded respect and submission, not only in his own, but in all classes.

The industrialist and financier, though representatives of power and

wealth in an industrial society, have never been able to inspire similar emotions or to command prestige for their class. Economic leadership does not adapt itself to political rule or the leadership of nations. The capitalist can hire and fire but he cannot inspire loyalty. Cost accounting is termed by the author "dull and unromantic."

Considering the effects of competition, the economic advantages inherent in large-scale production have undermined the position of the small producer. Justified or not, the apparent decline of competition gives rise to an atmosphere of political hostility. Large scale production has brought higher standards of living which are taken for granted, but economic insecurity is a modern economic threat, and a source of social unrest.

Rational thinking in an individualistic society develops critical attitudes, as we have seen. These attitudes, when directed against the capitalistic system, cannot be repressed, seeing that they represent the right of freedom of expression. Universal education has expanded the white collar class to a point of marginal return. Much of today's employment is found to be in sub-standard occupations which are below the wage rates of industrial workers.

External changes in our social patterns are, Dr. Schumpeter thinks, affected by the current economic system. The attitude toward family life, for example, appears to be undergoing a revision. Instead of looking to parenthood, an increasing number of individuals lean toward a "cost accounting philosophy." Are the responsibilities worth while and should one not choose primarily those material goods which can be enjoyed in a period of life expectancy—this is a popular query. Old age is regarded as a social liability, void of economic value.

What have these considerations to do with the profit system and investment? The author anticipates the decline of investment in durable types of consumer capital and thus sees further evaporation of opportunity. The savings motivation based upon the expectation of family, a home and children, he believes, is being weakened. In the absence of this basic urge, consumer goods which give immediate enjoyment take preference over goods of greater durability and less direct satisfaction. Widespread anti-saving attitudes develop and spur a short-run philosophy of living.

Can capitalism survive under such disintegrating influences? Dr. Schumpeter says "I do not think so."

It is in the nature of industrial advance — it is of the very essence of those prodigious forces which modern invention and discovery are unloosing, that they must injure where they do not benefit. These forces are not in themselves either good or evil. They bring good or evil according to the conditions under which they are exerted. In a state of society in which all men stood upon an equality with relation to the use of the material universe their effects could be only beneficent. But in a state of society in which some men are held to be the absolute owners of the material universe, while other men cannot use it without paying tribute, the blessing these forces might bring is changed into a curse—their tendency is to destroy independence, to dispense with skill and convert the artisan into a "hand," to concentrate all business and make it harder for an employee to become his own employer, and to compel women and children to injurious and stunting toil.

—Henry George in "Protection or Free Trade?"