

## CHAPTER IX.

### THE CONFUSION CONCERNING CAPITAL.

What is capital? If my readers do not agree on the meaning of the term any more closely than the political economists, who are supposed to know all about it, no wonder there is confusion of thought in discussing economic problems, with sober-minded people failing to come to conclusions in common. When one person means chalk and another pump water while talking of milk, it would be strange indeed if they could reconcile their opinions with a third person who had in mind the fluid coming from a cow's udder, and their ideas as to the effect of milk on the human system would be vastly different.

It is the same in speaking of the term capital. Unless it is known just what is meant when the word is used, it is unsafe either to oppose or condemn the expression of an opinion referring to it. I have heard an industrious and intelligent wage-worker condemn capital, and declaim that the wealth producers of the world would never come by their own until all capital was abolished. And another within my hearing has been equally sincere in insisting that without capital the human race would perish, or, if existence without it were possible, it would be a brutal life, devoid of much that now makes man superior to the other animals. These sincere men were using one word to designate two entirely different things. To the first capital was that portion of wealth owned by one person and used by another, the latter paying tribute to the former in the guise of interest. He had no quarrel with wealth; indeed, his indignation was aroused because all the wealth created by labor was not

returned to the producer in the form of wages. To the other the term capital meant not only the products of labor, but such entirely different things as agricultural land, minerals and the intellectual powers of man.

Under a strict, scientific definition of the term, land is not capital. Neither are privileges granted by legislatures to favored individuals. Yet with either the monopoly of land, or the ownership of privilege, the possessor can, equally with the owner of wealth, live without work. It is because many things entirely dissimilar have the same effect on the material prosperity of a person, that the general term capital is often used to express the fact that the lucky possessor is in a position of affluence. But in discussing such grave problems as the economic production and the equitable distribution of wealth, it is quickly seen that, unless the terms used are sufficiently narrowed so as to mean only one thing for each, the discussion is worse than useless.

The other day I asked a socialist to give me his definition of capital, the use of which he had just been eloquently denouncing. He replied that "Capital is that portion of wealth which is used in production to make surplus value, and it must be large enough to be successful in competition—probably \$20,000." No one can find particular fault with that portion of his definition that says capital is wealth used to produce surplus value, if by surplus value is meant more wealth; but, knowing something of the socialistic idea of surplus value, which to them means the robbery of the wealth producer by the capitalist, the answer will hardly fit the conditions, because surplus value, as Karl Marx explains, in "Capital," does not stay with the capitalistic manufacturers. He is compelled to divide with those who demand rent, interest and profits. The latter part of the socialist's definition was simply drawing a line between the big and the little capitalists, for it can be seen that, under certain conditions, one

employer with \$19,000 in capital might be better situated to "exploit labor" and create "surplus value" than another with \$100,000 at his command.

Henry C. Cary, the great apostle of protection, has defined capital as "the instrument by which man obtains mastery over nature, including in it the physical and natural powers of man himself," thus so inextricably mixing labor with capital that no one can tell where one begins or the other ends.

Karl Marx says: "Money is capital; capital is commodities," and from this beginning he goes into that thorough discussion of the subject for which the Germans are noted, to prove, what everybody knows, that capital is reckless of the health or length of life of the laborer, that "it is moved as little by the sight of the coming degradation and final depopulation of the human race as by the probable fall of the earth into the sun," and he arrives at the conclusion that capitalistic production only begins "when each individual employs simultaneously a comparatively large number of laborers." When speaking of money being capital, Marx explains that he has in mind gold, which is wealth, being the product of labor. If paper money were wealth, the problem of human happiness would be an easy one to solve.

"That part of a man's stock which he expects to afford him a revenue is called his capital," says Adam Smith; and Ricardo explains: "Capital is that part of the wealth of the country which is employed in production, and consists of food, clothing, raw materials, machinery, tools, etc., necessary to give effect to labor." This enlarges the boundaries fixed by Smith, and certainly includes many things clearly not capital. These contradictory terms for capital could be extended indefinitely.

Socialists are not agreed as to the proper definition of the term "capital." Wm. Schall McClure says: "Capital is the means of exploitation; while under socialism it would lose its capitalistic quality, become

simply the means of production. Socialism aims at the absolute concentration of capital; the realization of its greatest efficiency." Whereat George A. Eastman insists that:

Wealth used in the production of more wealth is not capital; unless it is owned by one individual or class, and used by another, to produce a profit or surplus for the owner above what the user gets for performing the work of production. Wealth owned by the man who uses it himself in the production of more wealth, from which he expects no profit, but may exchange on the basis of labor performed, or may use himself, is not capital; because it exploits no one. When the whole people own that part of wealth needed in the production of more wealth, and the whole people use it to produce wealth for themselves and not for profit, it will not be capital, but common-wealth; because it will have lost its "capitalistic quality"—character—or power to exploit. It will become public property, operated for use, and not private property used to accumulate profits.

This appears to me as simply a division of wealth into two classes: It is (1) "capital" when owned by one individual and used by another. It is (2) common-wealth when owned by the community collectively. Yet its aid in the production of more wealth in both cases must be precisely the same. Only in the first instance the "profit," if any, goes to the owner of the capital, while in the other the "profit" is swallowed up in increased wages. Thus the plant of the Detroit Gas Light Company is capital; the plant of the Detroit Public Lighting Commission is common-wealth. In one case the wealth was supplied from private sources; in the other it came from taxes levied by the common council. Nevertheless, so far as the production of more wealth is concerned, both systems are precisely alike whether called capitalistic or socialistic.

The production and distribution of wealth are the prime objects of the union of labor and capital. As labor is prior to capital, it holds the first place in economics. Should all the capital in the world at one stroke, in an instant, be swept out of existence, with

labor remaining to find occupation on the land, the destroyed capital could all be replaced, and in a remarkably short time. Capital, then, is the handmaid of labor. It should be a bondmaid, also, for it is the creature of labor. Why it is not, and why it often usurps the office of master, is the cause of much of the distress in the world. There is no antagonism between capital and labor, but there is between the controller of capital and the controller of labor. Hence the labor question.

Capital has no rights. It is inanimate. The capitalist has many. As the production of wealth is a praiseworthy and necessary part of the world's economy, it is self-evident that in proportion as it is fostered and protected in that proportion will the general happiness and prosperity of the masses be increased. What a man produces by labor should be his against the world. Because men are not protected in this right, because some are allowed privileges that tend to deprive others of what they have produced, the sacredness of property is often disregarded. To make what a man has earned secure against the assaults of others, is one of the prime duties of government. But when government by its laws allow special privileges to individuals or corporations that are not open to all, it sows the seed that must eventually produce its downfall. That is the history of governments the world over.

Meaning by the term land the whole material universe outside of man himself, and by the term wealth the result of human exertion applied to land, capital is wealth devoted to producing more wealth. If the reader will brush aside all the definitions of capital but this one, he will have a simple and consistent definition of capital which, to say the least, does not confuse land, labor, and privilege, and so long as these distinctions are kept in mind, he will fall into few grievous errors when discussing economic problems.