

AN ANALYSIS
OF THE PROPOSALS AND CONCEPTIONS OF
SOCIALISM

THREE ADDRESSES

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NEW YORK B. W. HUEBSCH, INC. MCMXX

II.

THE INDUSTRIAL OUTCOME OF SOCIALISM

IN the previous lecture I endeavored to lay before you a picture of the industrial organization which the adoption of the fundamental proposals of Socialism — proposals on which all Socialists are agreed — must inevitably bring about. The main features of this organization we found to be the creation of a numerous, carefully graduated and strongly disciplined body of officials, culminating in one central all-directing agency for the management of all the industries of the country. This central agency, we found, must determine, years in advance, the various kinds of goods to be produced, the several qualities of each kind, as well as the quantities to be produced of each kind and quality. In order that the officials may have the slightest chance of performing this stupendous task, however inefficiently it may be done, they must have the additional power to control every man and woman in the country with regard to the occupations which they are to follow, the place where they are to reside, and the intensity with which they are to work. And, further, we found that these officials would also have to determine the amount of wealth to be divided amongst the people, each adult receiving an equal share. I shall now endeavor to bring before you some of the economic and industrial consequences of this Socialist organization.

FACTORS IN LABOR'S PRODUCTIVITY

The productivity of man's labor in the social state, affected as it is by his natural surroundings, such as fertility of soil, mineral treasures, and topographical features, is also affected,

and to a still higher degree, by many social factors. Permit me to enumerate some of the more important of these. One consists of the degree of efficiency possessed by the organizing and managing agencies. Another consists of the degree of willingness, conscientiousness, and efficiency with which each individual worker performs his task. A third is to be found in the correspondence between the natural aptitude of each worker and the task allotted to him. A fourth consists of the quantity and efficiency of the industrial capital available. But there is another factor, perhaps as important as all these put together; namely, the knowledge of nature, and the use of natural forces in industrial processes.

It is admitted that every worker to-day produces many times the amount of wealth which the most efficient workman, most intelligently directed, and with ample capital at his disposal, could produce a hundred years ago. The increase is so great that the lowest estimate I have seen places it at fifteen-fold; that is every worker to-day produces on an average fifteen times the amount of wealth which his predecessors could produce in the same time a century ago. What has brought about this marvelous change — a change so great that, if it were not counteracted by other factors, it would have banished involuntary poverty from this world? There is no doubt as to the causes. This enormous increase in wealth-producing power is due to discoveries and inventions, and to their use in the industrial processes.

Seeing that all these factors affect the production of wealth, and, therefore, the amount of wealth which is available for the people; seeing also that each of them must be affected by social organization, no serious man, and no serious nation, can ever think of adopting Socialism, without careful consideration of the effect which its industrial organization must have upon these factors in the production of wealth.

DISCOURAGEMENT TO INVENTION AND DISCOVERY

Let us begin with the most important, inventions and discoveries. It is evident, nor do Socialists deny it, that under

Socialism no special material reward can be hoped for by any inventor or discoverer, however much his invention or discovery might benefit mankind. But they argue that this absence of reward would not diminish useful inventions and discoveries; for the reason that men having a bent in this direction cannot help themselves, but must go on inventing and discovering. It may be true that here and there a man may be found whose nature is so constituted that he would continue the exercise of his inventive faculties without any possible prospect of reward. But this cannot possibly be true of the great majority of inventors. These are constituted like other men, and will not undertake the costly experiments which most inventions entail, or the sometimes dangerous and generally expensive researches which precede discoveries, unless attracted thereto by the possibility of a great reward. The absence of reward thus must enormously decrease invention, and consequently the industrial progress of the nation.

This tendency would be strengthened from other directions. As under Socialism every man and woman must work at his or her appointed task a certain number of hours each day, the opportunity for researches and experiments which result in inventions and discoveries would be largely curtailed for all. Moreover, as all are to receive equal reward, the reward of each could not be great, and none, therefore, would possess the means to make the costly researches or experiments which most inventions and discoveries entail. These two causes would obviously affect even the few exceptional persons who would not be prevented from the exercise of their inventive genius by the absence of all possibility of material reward.

If it is alleged that the State — that is, some of its officials — would select men and women to do the discovering and inventing of the nation, a serious reply is scarcely necessary. For even if the selection were made honestly, it would not be made efficiently, and, even if made efficiently, it could offer no approximately adequate substitute for the thousands and thousands of brains which now endeavor independently to find solutions for industrial problems. While, for these rea-

sons, inventions and discoveries would be rarely made under Socialism, other causes would arise tending to prevent the adoption of the few that might still be made.

The adoption of new inventions and discoveries generally entails the discarding of existing machinery and processes by employers, and a change in the accustomed method of working on the part of employees. Employers and employees are loth to do this. On employers it entails an immediate loss, and only the prospect of exceptional profit for a time, or fear of losing competitive power induces them to adopt new inventions. The pressure of competition likewise overcomes the unwillingness of their employees to change their method of working.

THE RED TAPE OF BUREAUCRACY

None of these motives actuate the officials of the State. They can suffer no personal loss from refusing new inventions, nor can they gain personal advantage from adopting new inventions and discoveries. Moreover, and apart from the responsibility of discarding existing machinery, the adoption of new machinery and methods would also demand additional exertion on their part, and may expose them to unpopularity. There is, however, still another and greater obstacle. Inventions do not generally spring perfect from the brain of men. When any industrial difficulty invites the application of inventive genius many unsuccessful attempts at its solution precede the successful one. This certainty of many failures before a success can be registered, stands in the way of progress to-day. Capitalists, knowing this uncertainty, can only be induced to try a new discovery or invention by hopes of great gain or pressure of competition. But no such motive will affect the officials of the State. For while they cannot obtain any material reward if the new process or machine is successful, they would certainly be blamed if it were unsuccessful. It would, therefore, be far safer for them to do nothing than to run this risk. Hence the absence of all motives to experiment with new inventions is fortified by strong motives against doing so, and Socialist

officials will therefore carefully abstain from making such experiments.

Even at the present time, when the example or competition of private enterprise stimulates the action of State officials, these causes retard their adoption of new inventions. Innumerable examples might be quoted of State departments refusing for years to use processes and appliances which privately conducted industries had proved to be advantageous.

STARTLING EXAMPLES

Let me give you a few examples. The discovery that lemon juice was a preventive and cure for scurvy was made in 1593. From that day on it was frequently used in ships, and gradually maritime vessels began to carry it habitually. The British Admiralty did not adopt it till 1795, when the safety of the Channel fleet was endangered by scurvy, of which the sailors were dying like flies. That is, it took 200 years to move the Admiralty officials to take this step, and more deaths were caused by this official reluctance to go outside the beaten paths than were caused by battles, wrecks, and all other casualties at sea put together.

Similarly, the British Admiralty stuck to paddles, and could not be induced to adopt screw-propellers for men-of-war for fourteen years after their use had become general in the mercantile marine.

Again, the Admiralty left the plates of their ships unprotected by anti-corrosive paint for many years after its use had established itself on all other iron ships.

Again, it was not till the breakdown of many ships' engines, and years after it had been generally adopted, that the Admiralty consented to adopt Silver's governor for marine engines.

Similarly with the Post Office, of which Sir Charles Siemens, the great electrical engineer, used to complain that it was almost impossible to get it to adopt any improvement in telegraphy.

It needs no more examples. This tendency of State departments to remain in a groove is so distinct and universal

that it has become proverbial. Yet this tendency must be infinitely greater under Socialism, owing to the total absence of the stimulating example of private industry, and owing to the absence of any motive on the part of others to overcome the inertia or hostility of officials.

STAGNATION AND RETROGRESSION

As I have pointed out, the difficulties in the way of the adoption of any invention are very great, even under the existing competitive system. They generally are overcome by men who expect to share in the reward of the inventor, and inventors gladly share their prospective reward with the man who gets their inventions adopted. When no such reward can be obtained, the motive to overcome the difficulties will be gone, and no such effort will be made.

Still another danger arises. Under Socialism the adoption of any new invention or process depends upon the will of officials; no pressure of competition can induce it. Suppose such officials have made an error — have adopted a new invention or process which is less useful than those that were discarded. If this is done under the existing competitive system — as it is frequently done — loss of competitive power and of trade quickly compels the abandonment of the failure. But under Socialism there is nothing but the conscientiousness of the officials to cause a failure to be abandoned, while their self-interest might easily cause them to refuse to do so.

Let me now recapitulate. We have seen that, through absence of reward, and through want of time and means to make experiments, the number of inventions and discoveries would be much diminished; that, as officials cannot personally benefit by the adoption of successful inventions, they would be reluctant to adopt any, partly because it would, for a time, increase their work; partly because they would have to risk reproof and loss of credit for possible failures; partly because they would have to overcome the reluctance of workmen, and partly because it is nobody's interest to persuade them to adopt new machinery and processes. In addition, we found that no guarantee exists under Socialism, as is the case

now, that new machinery and processes are more useful than those discarded. Clearly, then, Socialism would put an end to the marvelous progress which, during the course of the last hundred years, has changed the face of the earth; which has endowed men with previously unimagined power; which has chained the forces of nature to man's triumphal car. We know now that the marvels which have been achieved are but an earnest of the marvels yet to come; we know that, proud as we may be of the achievements of the immediate past, we are but standing on the threshold of nature's treasure-house. But that threshold will never be passed, the inner sanctuary of nature will never be entered, if Socialism is adopted; for the heavy hand of its officialdom will crush the budding powers of man, will put an end to further progress, will call a halt to the upward march which otherwise would lead men to uncover the most deeply-hidden secrets of nature, and to compel them to do his will. Instead of progress, we would have stagnation, soon to fall into inevitable retrogression.

ALL INDUCEMENT TO EXERTION KILLED

Permit me now to deal with the next question — the efficiency of labor under Socialism. The only motive for industrial exertion is the desire to reap its fruits. If men could satisfy their material desires without industrial exertion, they would gladly abstain from it. They would equally abstain if all reward were withheld from them. The motive for industrial exertion, therefore, is strongest when men receive the full reward of their labor. But if it is all the same to men whether they work hard and efficiently, or little and inefficiently, they will inevitably choose the latter course. This divorce between exertion and reward is the main reason for the universally recognized inefficiency of slave labor. The existing system, suffering from injustice in distribution, where the majority of men cannot hope to enjoy all the fruits of their labor, also largely reduces the efficiency of labor. But under Socialism — entailing equal reward for unequal service — this inefficiency of labor must grow to an appalling extent. All motive for exertion would cease to exist, for no

exertion, mental or physical, could increase the reward of any one.

DELUSIVE HOPES OF SOCIALISTS

Socialists reply that equality of distribution by no means withdraws the motive for exertion, inasmuch as the amount which can be distributed depends upon the exertion of every individual; that the harder and more efficiently any one works the greater will be the reward which he receives in common with all. This reply, while fully admitting the importance of self-interest as a motive for exertion, overlooks the fact that each individual can benefit himself but little by his own greater exertion when the reward of all is equal. But it may be said that he knows that if all the others also increase their exertions in the same way, each will get all that his greater exertions produce. This is true, but scarcely effective. For no worker can know whether all the other workers labor as hard as he does. He cannot know it as to all the men in the same factory; still less can he know it with regard to the workers in all the other similar factories, and still less with regard to the workers in all the departments of national production. Therefore, every worker will disregard the possibility of obtaining a share in the produce of the greater exertions of others; the only thing he sees is that, all others sharing equally in the produce of his greater exertions, the advantage to him of so exerting himself will be unrecognizable. Therefore, he will not do so, and the efficiency of labor will suffer an enormous decline.

THE ANALOGY OF SLAVE LABOR

The absence of any individual motive for exertion on the part of the regulated workers has three consequences. One is that the result of their labor will fall off, in both quantity and quality. The produce of all the industries of the State will be less, and that which is produced will be less serviceable. The second consists of waste of material. Careless work involves waste; and as all work would be careless under Socialism, the waste of material would be frightful. The

third consequence is, that the number of regulative officials must be largely increased, for men who work unwillingly and inefficiently want far more supervision than those who work willingly and efficiently. Again, slave labor suggests itself as an example. This increase in the number of regulative officials reduces the average output of industry still more. Every one of them would add to the product, if, instead of supervising, he were actually producing.

THE REIGN OF FEAR

No doubt it will be replied that this increase in supervision would put an end to the tendency toward slack, careless, and inefficient labor. But this can only take place to a small extent. The contention presupposes that laziness and inefficiency will entail punishment. What punishment? Weak, slow, lazy, or otherwise inefficient workers cannot be allowed to starve. Are men and women to be starved because they are weak or unfit for the work expected of them? Clearly, this would be their fate if they were dismissed, for there would be no other employer. Can their reward be lessened because they are less efficient than others? This would also be impossible under Socialism, because no notice can be taken of degrees of efficiency — all rewards must be equal. The only punishment possible under Socialism, therefore, is the knout or the jail. Is it really to be believed that these will make labor efficient? Did they do so in the slave-gangs of the Southern States? Obviously, men cowering under the fear of such punishments cannot be, industrially, as efficient as free men, under no other stress than the natural pressure which links labor with life. Is fear as good a motive to industrial exertion as hope of reward; sullen resentment as good as cheerful anticipation; distaste as good as joy in one's work? If they are not, then the efficiency of the labor of the regulated masses must suffer an incalculable decline under Socialism.

LESSONS OF PRESENT DAY OFFICIALDOM

At least equally serious must be the decline in the efficiency of the regulating officials, for here also efficiency does not bring any greater reward; among them also all material motive for exertion will have disappeared. Moreover, the efficiency of management must be reduced through other causes. Whenever an undertaking becomes so large that the man at the head cannot himself supervise the whole of it, strict regulations must take the place of personal initiative. Still more is this the case when an undertaking is so large as to require an extensive and graduated managerial organization, for then each grade in the regulative machinery is more or less fettered: lower grades appeal to higher; these transmit the request to still higher. Much time and labor is wasted before a decision is arrived at, and, therefore, invariable practice takes the place of flexibility.

This graduation, limitation, and inflexibility is greatest where many separate and distinct departments are subject to one graduated managerial organization, such as is the case with all State departments to-day. For here ultimate decisions rest with officials having no personal knowledge of the circumstances guiding the proposals of subordinates. Hence results the red tape of all government departments, such as has been lately so aptly described by the Public Service Commissioner of the Commonwealth.

Dealing in his annual report with the question of civil service circumlocution, Mr. D. C. McLachlan quotes from Baron Stockmar's *Memoirs*, the following with regard to the procedure in the English Royal Household: "If a pane of glass or the door of a cupboard in the kitchen needs mending, the process is — (1) A requisition must be prepared and signed by the Chief Cook; (2) this must be countersigned by the Clerk of the Kitchen; (3) it is then taken to the Master of the Household; (4) it must next be authorized by the Lord Chamberlain's Office; (5) being thus authorized, it is laid before the Clerk of the Works under the Office of Woods and Forests. So that it would take months before the pane of

glass or cupboard could be mended." Mr. McLachlan says further that it cannot be denied that the above is, *mutatis mutandis*, an unexaggerated description of what has been perpetrated in many of the public offices of these States.

Now, if this red tape, this roundabout working, this waste exists, as it does exist, in every governmental service, surely it must receive an incalculable increase under Socialism. For not only would the stimulating example of private industry be lost, but, compared with the huge extent of the undertakings conducted by officialdom under Socialism, those so conducted at present are infinitesimal. The wheels within wheels, therefore, would be added to an incalculable extent, and would gradually crush all efficiency out of the managing organization.

ROUND PEGS IN SQUARE HOLES

Moreover, both the regulated masses and the regulating bureaucracy will be exposed to yet another cause creating loss of efficiency. Labor is most efficiently performed when its character is in accord with the innate tendencies of the laborer. A youth may make an excellent teacher when he would be but a wretched cook; another's services might be far more valuable as a farmer than as an engraver; still another would make an excellent engineer when he would be but a sorry physician. Unfortunately, even to-day, the number of round pegs in square holes is very great. But many, perhaps, the greatest number, either from the start or ultimately, find the holes for which they are best fitted.

Under Socialism, however, this would only occur here and there through accident or favoritism. Choice of occupation by aspirants being impossible, it is equally impossible for the regulative bureaucracy to discover the special aptitudes of the numerous aspirants for employment. Their various tasks must be allotted to them by rote, and they may be transferred from occupation to occupation, not as they desire, but as the necessities of the State or caprice of officials may dictate. With possibly a few exceptions, therefore, all special aptitudes will be neglected, and those capable of doing exception-

ally good work in one direction will be compelled to work at tasks in which they are less efficient.

SUBSERVIENCY, FLATTERY, AND TOADYISM

Seriously as this cause must reduce the efficiency of the regulated masses, still more must it affect that of the regulators. For how will these be selected? By election from below, by the people? Will any one contend that managerial efficiency, and not other qualities, would determine the popularity of a candidate? Or is it by appointment from above by superior officials? Again I ask, would not subserviency, flattery, and toadyism be a surer way to preferment than managerial ability and merit? Sooner or later, however, as I shall prove in my next lecture, the bureaucracy would become an hereditary class, whose ranks would be closed to all outsiders. But whether this would be the case or not, this much is clear, that organizing and managing aptitude would be rarely the special faculty of the members of the Socialist bureaucracy.

CURTAILMENT OF NATIONAL CAPITAL

I have to point to still another cause tending in the same direction. The efficiency of the national labor is largely determined by that of the available instruments of production and their amount. All these instruments made by labor must, from time to time, be replaced by labor. Every year large numbers of workers must be set to produce materials which, after a lapse of years, may appear as tools or machines, which, again after a lapse of years, deliver goods which satisfy men's wants. This production of capital, ever increasing, and providing for wants of an ever later date, is a function which existing society performs unconsciously through pressure of competition. Under Socialism it would have to be performed consciously. The regulative authority would have to determine each year how much of the national labor should be exerted in directions which, after a lapse of years, might replace and extend the national industrial capital. The labor so employed is withdrawn from the production of goods which can be distributed in the near

future, and directed toward the production of goods which can only be distributed in the distant future — that is, the reward of all laborers next year is largely reduced in order that its level may be maintained in some distant future year. No man, or body of men, can have the prescience and knowledge required to perform this stupendous task efficiently. But suppose they do possess this prescience: will they act up to it? The probability is all the other way. The majority of any people are short sighted and improvident, unwilling to buy future ease with present abstinence. Still more is this the case when they themselves cannot obtain the fruits of abstinence. Those who are improvident — the majority — will desire the greatest possible dividend from the national labor, in order to enjoy it. Those who are abstinent will still desire the same, because, under Socialism, private property in consumption goods will continue. These, therefore, can be saved individually, while nothing else can be so saved. A proper replacement and extension of the national capital will, therefore, be universally unpopular, and this must lead to its insufficient replacement and extension.

This tendency will be increased through the inefficiency of labor, already pointed out, for the officials can for a time conceal the reduction in the amount of the national product by abstaining from the proper replacement or extension of the national capital. They would thus maintain their credit, while the loss might not be felt for years.

These two causes must combine to produce a tendency, not only to abstain from adding to the national capital, but to actually curtail the national capital, which course must ultimately lead to such a curtailment of the product of the national labor as is scarcely imaginable.

A HOST OF EVILS

Many powerful causes must thus co-operate to reduce the efficiency of labor, and to decrease the products of labor under Socialism. They are as follows:— Owing to the withdrawal of any reward for inventions and discoveries, and through want of time and means to engage in costly re-

searches and experiments, these, the greatest factors in industrial progress, will diminish. Of those that will still be made, few, if any, will be adopted. If any are adopted, no certainty exists that they are not failures, or that such failures will be discarded.

While these causes will produce a discontinuance of the progressive increase in productive capacity which distinguishes modern industry, other causes will actually and enormously diminish productive capacity. They are these:— The divorce between labor and its proportional reward; the substitution of fear for expectation of reward; the neglect of special aptitudes; the absence of managerial ability among officials; the red tape and boundless waste of effort inherent in all governmental departments, greatest where they are most numerous; and the insufficient replacement of industrial capital.

Of these causes, all co-operating to reduce the efficiency of the national labor and to diminish the output of the national industries, only a few affect the efficiency of State-conducted industries at the present time. The red tape and waste of effort arising from graduated organizations exists; to some extent, also, the stimulus to effort is wanting which exists in private industries. But all the other evils are absent, and, nevertheless, the inefficiency of industry under the direction of government officials has become a by-word and a reproach.

THE DREARY RAIMENT OF SOCIALISM

Finally, another tendency must be described. Modern industry not only provides an infinite variety of kinds of goods, but also an infinite variety in each kind, of qualities, designs, and colors, and this variety is being constantly added to by invention and discovery. Not only is an infinity of existing and individually varying desires thus catered for, but new desires and wants are being constantly stimulated. This possibility of satisfying the numerous desires of men, varying not only between individuals, but varying also from time to time as to the same individual, lends to life the color and variety which are one of the chief causes of human happiness.

This color and variety must disappear under Socialism. The upward tendency of man toward the conception and satisfaction of an ever greater number of wants will be converted into the downward tendency of an ever decreasing satisfaction of wants, and for these reasons:—

I have shown that, under Socialism, all production must be regulated by a central agency. This agency, one man or a board, must determine the different kinds and qualities of goods to be produced, and the quantities of each, for many years in advance. To do this with even an approximate degree of efficiency surpasses the wit of the ablest men who ever lived, as long as the existing variety of goods, qualities, designs, and colors is maintained. Still less is it possible when these are constantly added to. But there is absolutely no guarantee that the directing agency will be composed of even exceptionally able men. On the contrary, every consideration leads to the conclusion that they will be selected for other reasons than great organizing ability. The whole industrial system, therefore, would fall into inextricable confusion unless it were materially simplified. This simplification can only take place through an enormous reduction in the variety of goods to be produced. The variety of kinds, as well as the variety in qualities, forms, designs, and colors, in each kind, must be largely sacrificed.

This tendency must be largely added to by the decline in the efficiency of national labor. As labor becomes less productive, the production of goods required for comfort or ornamentation must be curtailed, in order that a sufficiency of bald necessities may be obtained. With every further loss of efficiency, this process must be extended, till the national dividend, receivable by every citizen, will consist of a far smaller quantity and variety of goods and services than is now at the disposal of average artisans.

MONOTONY AND POVERTY

Monotonous uniformity, in addition to general poverty, is thus the inevitable result of Socialism, even if its bureaucracy remained honest and clean-handed. The average man and

woman would not only find that desires, now easily satisfied, must go without satisfaction, but that even those desires which would still find some satisfaction, would find it only partially. Equality of income would be realized, at least among the regulated masses of the people. But it would not be done by raising the means of enjoyment of all to a level above that enjoyed to-day by the great majority of the people. On the contrary, the means of all would be reduced to the level of that portion of the people whose condition now appeals most strongly for relief. Monotonous equality in unavoidable poverty will be the condition of the whole people in the socialized State.