

· C O M M E N T ·

Capitalism as a Progressive Economic System

AS ONE OF THE AIMS of our new AMERICAN JOURNAL is to provoke discussion, perhaps I may be permitted publicly to disagree with a fellow editor and thereby assure our readers that they too are welcome to refute any error of fact or logic, seen or fancied.

I must dissent from the first portion of "Wages and Trade Unions," written by my highly respected colleague, Dr. Oppenheimer.¹ Beginning with the third paragraph, he says, "Capitalism is an essentially impossible order,"² and proceeds to tell us what is wrong with it. He says "Capitalism means mass-production, which presupposes mass-consumption, etc." By this test, capitalism exists in the Soviet Union, or would exist in any collectivist state. To define capitalism in this way seems to me to depart from the accepted meaning of words and thereby to lead to confusion. "Capitalism" is conventionally used to describe an economic system characterized by a predominance of privately-owned wealth, individual initiative, freedom of contract, and a free market system. To me there appears to be no alternative to that system other than a collectivist state and those who are opposed to capitalism as traditionally defined, and not merely critical of it, put themselves, willy-nilly, in the socialist camp.

Dr. Oppenheimer apparently subscribes to the Marxian criticism that in a capitalistic society, the workers are unable "to buy back the products of their toil."³ It is somewhat startling to find this criticism at the beginning of an article purportedly based on the theories of Henry George. He says that (during a period not designated) "the world market shrank in absolute extension and relative capacity."⁴ If he referred to the Nineteenth Century, before the capitalistic system began to suffer from the governmental restraints that have recently been imposed upon it, the statement is quite contrary to the facts. From 1840 to 1929 the foreign trade of the world increased from 2.8 billion dollars to 66.7 billion.⁵

Dr. Oppenheimer says that the world market shrank due to the spread of industrialism to nations which became competitors "after having been customers." We have already seen that the secular trend of world trade

¹ Am. Jour. Econ. Socio., Vol. I, No. 1 (October, 1941), pp. 45-47.

² Ibid., p. 45.

³ Cf. *ibid.*, pp. 45-6.

⁴ Ibid., p. 46.

⁵ Encyclopaedia of the Social Sciences, Macmillan, New York, 1932, Vol. VIII, p. 194.

shows no shrinkage and it may seem idle to discuss the cause of a phenomenon that never existed. Nevertheless, the illusion that trade declines with the spread of industrial techniques is so persistent that it should be combatted at every opportunity. In the article in the *Encyclopaedia of the Social Sciences* referred to above, we read:

Trade among industrial countries, the volume of which is much greater than is commonly believed, is the direct out-growth of industrialism. European industrial nations do more trading among themselves than with agrarian countries. Germany, for example, sends three-fourths of its industrial exports to European industrial countries, which provide a market also for three-fifths of American industrial exports; similarly, Great Britain sells a major portion of its exported merchandise in industrial countries.⁶

To contend, as Dr. Oppenheimer does, that because some speak of the "profitable destruction" of wheat, coffee, cotton, pigs, etc., we have a clear sign of the sickness of capitalism⁷ is unconvincing. To me, such destruction is a clear sign of the stupidity we may expect from governmental interference in economic matters. It should be recalled that no such destruction would have taken place if a free market had been maintained. Producers organized into monopolistic groups may find it profitable to destroy a portion of a given crop, or governments may compel or bribe producers to do so, but such destruction is not the natural result of the capitalist (free enterprise) system.

I hope to be as aware as anyone of the defects of our present system, and of the advantages that would result from the social appropriation of economic rent. But I hope never to see our economic system turned over to the collectivist "planners" who, I fear, would operate it as a gigantic W.P.A. project. Our troubles have been due, in large part, to the fact that we have forgotten the conditions under which a free enterprise system can effectively operate. I hope *THE JOURNAL* may contribute to an understanding of the conditions under which capitalism in the Nineteenth Century enabled the population of the world to double in number and to make greater economic progress than was made in any previous century. Nor shall we ever make such progress again if our economic system is turned over to the politicians, even if they call themselves "planners" rather than socialists.

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⁶ *Ibid.*, p. 192.

⁷ *Op. cit.*, p. 46.