cross the Rio Grande del Norte and inspect the abodes of the Mexican peons which are devoid of any furniture. When modern industry began to provide the masses with the paraphernalia of a better life, their main concern was to produce as cheaply as possible without any regard to aesthetic values. Later, when the progress of capitalism had raised the masses’ standard of living, they turned step by step to the fabrication of things which do not lack refinement and beauty. Only romantic prepossession can induce an observer to ignore the fact that more and more citizens of the capitalistic countries live in an environment which cannot be simply dismissed as ugly.

3. Injustice

The most passionate detractors of capitalism are those who reject it on account of its alleged injustice.

It is a gratuitous pastime to depict what ought to be and is not because it is contrary to inflexible laws of the real universe. Such reveries may be considered as innocuous as long as they remain daydreams. But when their authors begin to ignore the difference between fantasy and reality, they become the most serious obstacle to human endeavors to improve the external conditions of life and well-being.

The worst of all these delusions is the idea that “nature” has bestowed upon every man certain rights. According to this doctrine nature is openhanded toward every child born. There is plenty of everything for everybody. Consequently,
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everyone has a fair inalienable claim against all his fellow men and against society that he should get the full portion which nature has allotted to him. The eternal laws of natural and divine justice require that nobody should appropriate to himself what by rights belongs to other people. The poor are needy only because unjust people have deprived them of their birthright. It is the task of the church and the secular authorities to prevent such spoliation and to make all people prosperous.

Every word of this doctrine is false. Nature is not bountiful but stingy. It has restricted the supply of all things indispensable for the preservation of human life. It has populated the world with animals and plants to whom the impulse to destroy human life and welfare is inwrought. It displays powers and elements whose operation is damaging to human life and to human endeavors to preserve it. Man's survival and well-being are an achievement of the skill with which he has utilized the main instrument with which nature has equipped him—reason. Men, cooperating under the system of the division of labor, have created all the wealth which the daydreamers consider as a free gift of nature. With regard to the "distribution" of this wealth, it is nonsensical to refer to an allegedly divine or natural principle of justice. What matters is not the allocation of portions out of a fund presented to man by nature. The problem is rather to further those social institutions which enable people to
continue and to enlarge the production of all those things which they need.

The World Council of Churches, an ecumenical organization of Protestant Churches, declared in 1948: “Justice demands that the inhabitants of Asia and Africa, for instance, should have the benefits of more machine production.” * This makes sense only if one implies that the Lord presented mankind with a definite quantity of machines and expected that these contrivances will be distributed equally among the various nations. Yet the capitalistic countries were bad enough to take possession of much more of this stock than “justice” would have assigned to them and thus to deprive the inhabitants of Asia and Africa of their fair portion. What a shame!

The truth is that the accumulation of capital and its investment in machines, the source of the comparatively greater wealth of the Western peoples, are due exclusively to laissez-faire capitalism which the same document of the Churches passionately misrepresents and rejects on moral grounds. It is not the fault of the capitalists that the Asiatics and Africans did not adopt those ideologies and policies which would have made the evolution of autochthonous capitalism possible. Neither is it the fault of the capitalists that the policies of these nations thwarted the attempts of foreign investors to give them “the benefits of more machine production.” No

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one contests that what makes hundreds of millions in Asia and Africa destitute is that they cling to primitive methods of production and miss the benefits which the employment of better tools and up-to-date technological designs could bestow upon them. But there is only one means to relieve their distress—namely, the full adoption of laissez-faire capitalism. What they need is private enterprise and the accumulation of new capital, capitalists and entrepreneurs. It is nonsensical to blame capitalism and the capitalistic nations of the West for the plight the backward peoples have brought upon themselves. The remedy indicated is not "justice" but the substitution of sound, i.e., laissez-faire, policies for unsound policies.

It was not vain disquisitions about a vague concept of justice that raised the standard of living of the common man in the capitalistic countries to its present height, but the activities of men dubbed as "rugged individualists" and "exploiters." The poverty of the backward nations is due to the fact that their policies of expropriation, discriminatory taxation and foreign exchange control prevent the investment of foreign capital while their domestic policies preclude the accumulation of indigenous capital.

All those rejecting capitalism on moral grounds as an unfair system are deluded by their failure to comprehend what capital is, how it comes into existence and how it is maintained, and what the benefits are which are derived from its employment in production processes.
THE ANTI-CAPITALISTIC MENTALITY

The only source of the generation of additional capital goods is saving. If all the goods produced are consumed, no new capital comes into being. But if consumption lags behind production and the surplus of goods newly produced over goods consumed is utilized in further production processes, these processes are henceforth carried out by the aid of more capital goods. All the capital goods are intermediary goods, stages on the road that leads from the first employment of the original factors of production, i.e., natural resources and human labor, to the final turning out of goods ready for consumption. They all are perishable. They are, sooner or later, worn out in the processes of production. If all the products are consumed without replacement of the capital goods which have been used up in their production, capital is consumed. If this happens, further production will be aided only by a smaller amount of capital goods and will therefore render a smaller output per unit of the natural resources and labor employed. To prevent this sort of dissaving and disinvestment, one must dedicate a part of the productive effort to capital maintenance, to the replacement of the capital goods absorbed in the production of usable goods.

Capital is not a free gift of God or of nature. It is the outcome of a provident restriction of consumption on the part of man. It is created and increased by saving and maintained by the abstention from dissaving.

Neither have capital or capital goods in themselves the power to raise the productivity of natural resources and of
human labor. Only if the fruits of saving are wisely employed or invested, do they increase the output per unit of the input of natural resources and of labor. If this is not the case, they are dissipated or wasted.

The accumulation of new capital, the maintenance of previously accumulated capital and the utilization of capital for raising the productivity of human effort are the fruits of purposive human action. They are the outcome of the conduct of thrifty people who save and abstain from dissaving, viz., the capitalists who earn interest; and of people who succeed in utilizing the capital available for the best possible satisfaction of the needs of the consumers, viz., the entrepreneurs who earn profit.

Neither capital (or capital goods) nor the conduct of the capitalists and entrepreneurs in dealing with capital could improve the standard of living for the rest of the people, if these noncapitalists and nonentrepreneurs did not react in a certain way. If the wage earners were to behave in the way which the spurious “iron law of wages” describes and would know of no use for their earnings other than to feed and to procreate more offspring, the increase in capital accumulated would keep pace with the increase in population figures. All the benefits derived from the accumulation of additional capital would be absorbed by multiplying the number of people. However, men do not respond to an improvement in the external conditions of their lives in the way in which rodents and germs do. They know also of other satisfactions
than feeding and proliferation. Consequently, in the countries of capitalistic civilization, the increase of capital accumulated outruns the increase in population figures. To the extent that this happens, the marginal productivity of labor is increased as against the marginal productivity of the material factors of production. There emerges a tendency toward higher wage rates. The proportion of the total output of production that goes to the wage earners is enhanced as against that which goes as interest to the capitalists and as rent to the land owners.*

To speak of the productivity of labor makes sense only if one refers to the marginal productivity of labor, i.e., to the deduction in net output to be caused by the elimination of one worker. Then it refers to a definite economic quantity, to a determinate amount of goods or its equivalent in money. The concept of a general productivity of labor as resorted to in popular talk about an allegedly natural right of the workers to claim the total increase in productivity is empty and indefinable. It is based on the illusion that it is possible to determine the shares that each of the various complementary factors of production has physically contributed to the turning out of the product. If one cuts a sheet of paper with

* Profits are not affected. They are the gain derived from adjusting the employment of material factors of production and of labor to changes occurring in demand and supply and solely depend on the size of the previous maladjustment and the degree of its removal. They are transient and disappear once the maladjustment has been entirely removed. But as changes in demand and supply again and again occur, new sources of profit emerge also again and again.
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scissors, it is impossible to ascertain quotas of the outcome to the scissors (or to each of the two blades) and to the man who handled them. To manufacture a car one needs various machines and tools, various raw materials, the labor of various manual workers and, first of all, the plan of a designer. But nobody can decide what quota of the finished car is to be physically ascribed to each of the various factors the cooperation of which was required for the production of the car.

For the sake of argument, we may for a moment set aside all the considerations which show the fallacies of the popular treatment of the problem and ask: Which of the two factors, labor or capital, caused the increase in productivity? But precisely if we put the question in this way, the answer must be: capital. What renders the total output in the present-day United States higher (per head of manpower employed) than output in earlier ages or in economically backward countries—for instance, China—is the fact that the contemporary American worker is aided by more and better tools. If capital equipment (per head of the worker) were not more abundant than it was three hundred years ago or than it is today in China, output (per head of the worker) would not be higher. What is required to raise, in the absence of an increase in the number of workers employed, the total amount of America’s industrial output is the investment of additional capital that can only be accumulated by new saving. It is those saving and investing to whom credit is to be
given for the multiplication of the productivity of the total labor force.

What raises wage rates and allots to the wage earners an ever increasing portion out of the output which has been enhanced by additional capital accumulation is the fact that the rate of capital accumulation exceeds the rate of increase in population. The official doctrine passes over this fact in silence or even denies it emphatically. But the policies of the unions clearly show that their leaders are fully aware of the correctness of the theory which they publicly smear as silly bourgeois apologetics. They are eager to restrict the number of job seekers in the whole country by anti-immigration laws and in each segment of the labor market by preventing the influx of newcomers.

That the increase in wage rates does not depend on the individual worker's "productivity," but on the marginal productivity of labor, is clearly demonstrated by the fact that wage rates are moving upward also for performances in which the "productivity" of the individual has not changed at all. There are many such jobs. A barber shaves a customer today precisely in the same manner his predecessors used to shave people two hundred years ago. A butler waits at the table of the British prime minister in the same way in which once butlers served Pitt and Palmerston. In agriculture some kinds of work are still performed with the same tools in the same way in which they were performed centuries ago. Yet the wage rates earned by all such workers are
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today much higher than they were in the past. They are higher because they are determined by the marginal productivity of labor. The employer of a butler Withholds this man from employment in a factory and must therefore pay the equivalent of the increase in output which the additional employment of one man in a factory would bring about. It is not any merit on the part of the butler that causes this rise in his wages, but the fact that the increase in capital invested surpasses the increase in the number of hands.

All pseudo-economic doctrines which depreciate the role of saving and capital accumulation are absurd. What constitutes the greater wealth of a capitalistic society as against the smaller wealth of a noncapitalistic society is the fact that the available supply of capital goods is greater in the former than in the latter. What has improved the wage earners’ standard of living is the fact that the capital equipment per head of the men eager to earn wages has increased. It is a consequence of this fact that an ever increasing portion of the total amount of usable goods produced goes to the wage earners. None of the passionate tirades of Marx, Keynes and a host of less well known authors could show a weak point in the statement that there is only one means to raise wage rates permanently and for the benefit of all those eager to earn wages—namely, to accelerate the increase in capital available as against population. If this be “unjust,” then the blame rests with nature and not with man.

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