

THE POWER AND BENEFICENCE OF CAPITAL

[1899]

Some years ago I listened to an address by a social agitator who said: "I can get along with anybody in my audiences except these mean, stingy, little fellows who have saved up a few hundred dollars in the savings bank and then have borrowed enough more to build a little house of two tenements, one of which they rent. When I begin to talk about interest, and rent, and Henry George, they get up and go out by the whole seat-full at a time." The statement was the most eloquent recognition I ever heard of the power and beneficence of capital. It has always remained in my memory as a confession by an opponent of the education effected by savings and of the benefit conferred on society by savings banks. I make it the text for the remarks which I will address to you on this occasion.

We hear a great deal in these days about social discontent. It seems to be taken for granted that discontent is a sufficient proof of grievance which third parties are bound to take cognizance of and redress. It might be argued with far greater plausibility that discontent is a proof of prosperity. If you look around the world today you will find that discontent is greatest where the chances are greatest. A man who has never had anything or a chance to get anything is not discontented; he rests contented with what he has always been accustomed to. Let him enjoy an opportunity and win something and the effect will be to excite his wish to win more. There is

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more discontent in one house in the United States or in England than in the whole Russian Empire. Discontent exists, then, where there are opportunities, and it is a stimulus to take advantage of opportunities. In that case it is an agency which produces achievement and drives on what we call progress. In other cases discontent is a result of conviction that opportunities have been lost and that it is too late to recover them. Then again, discontent is the twin sister of envy, when it is seen that others have profited better by opportunities. In no case does discontent, as a naked fact, prove anything, and when the details are known it never is proof of a grievance.

Our social philosophers, however, as I have said, assume that discontent is a legitimate and imperative demand for a remedy. They treat it as a social phenomenon, and the remedies which they propose are societal, that is, they are in the nature of devices and regulations which call for the action of the agencies of society. So far as these social philosophers get their way, we find that it is legislation which is set at work, and this legislation imposes tasks on functionaries and institutions. The net final and certain result is new burdens on taxpayers. Discontent is not diminished; it is generally increased. If you get a report of the operation of any of these devices which have already been adopted you will find it full of criticism, perhaps of derision, of the device. It is pointed out how crude the notion was; how ignorant of the conditions; how irrelevant to the purpose in view.

I will not now, however, dwell upon this aspect of social measures to cure discontent; what I am now more interested in is the education exerted by all this philosophy and all these devices on the people on whom

they are brought to bear. The social philosophy which has been in fashion for a century past has educated us in the notion that we ought all to be "happy" (as the phrase goes) on this earth, and that, if we are not so, we ought to cry out, and then that somebody is bound to come and take care of us. Liberty, equality, and happiness have been declared to be natural rights, which is interpreted to mean that they were laid in our cradles as our endowment for the battle of life. Every human being, on this theory, comes into the world with an outfit and a patrimony of metaphysical, if not of physical, goods. This doctrine is, of course, very popular and the men who preach it are sure of popular applause and political power. Tell a man that just because he has been bom, he ought to have and enjoy all the highest acquisitions of civilization without labor, self-denial, or study, and that he is a victim of injustice if he does not possess all those good things, and he will be sure to be delighted. Some of these grand old eighteenth-century dogmas which he on the borderline between politics and social philosophy have been found very much in the way in our own history of the last twelve months. They have been pushed aside as out of date. Perhaps we may get an incidental advantage from recent history if we can throw them all overboard together, but it is more likely that the buncombe element in them has too much value for political purposes to be sacrificed, and so we shall see that retained. We may be very sure that all these theories of world beatification can produce nothing but disillusion and disappointment for those who put faith in them, and disintegration for the society in which they are current. The human race never received any gratuitous outfit of any kind whatever; no heathen myth ever was more silly and empty than such a notion; talk about the

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“boon of nature” and the “banquet of life” and the “free gift of land” is more idle than fairy tales. We can speak nowadays with some positive knowledge about the primitive condition of the human race on earth, assuming now that the facts about the primitive condition of man have some bearing on our modern social controversies. We know that the human animal is, by nature, more helpless in the face of nature than many other animals, and that nature did not start the human animal off with any other rights than those of all the other animals. The human race came upon this globe with no outfit at all. The mere task of existing and continuing here was so great that the human race was taxed to the utmost to meet it. The obvious proof of that is that large groups of men have, in innumerable instances, utterly perished from the face of the earth. These are facts of knowledge at the present time and so far as I know they are not disputed by anybody.

I have already intimated that these facts about the primitive order of things have very little value for modern social controversies. Their value lies in quite another direction. If we men have, to any extent, conquered the task of existence, if we have risen to some command over nature, and if we have created a domain of rights between ourselves, it is by civilization that we have done it. The good things were not given to us gratuitously at the outset; they are the product of the toil and suffering of mankind. They belong at the end, not at the beginning. The people who are nowadays examining the product and passing judgment on it are only betraying their own ignorance and folly. They are quite dissatisfied with it; they write books, hold conventions, and pass resolutions about how we ought to change it, and they draft ideas about how they would like to recon-

struct it. If we arrive at some correct idea of what society is and what civilization is, we shall regard all such speculations as more absurd than witchcraft or astrology. We are the children of the society in which we were born. It makes us. We are products of the civilization of our generation. Only a handful of men can react upon the society and the age in which they live so as to modify it at all. They are the very *Slite* of the human race, and after all what they can do is only infinitesimal. Civilization means the art of living on this earth. All men have always been trying to learn it, and all that now is in the order of society is the product of this struggle of ages. It pours along in a mighty flood which bears us all with it; in it are all the efforts, passions, interests, and strife of men. It is the play of these upon each other which produces the heaving and swaying of the flood and determines its vast modifications of direction. If you come to a faint understanding of this, the man with a scheme in his pocket for the "reorganization of society" is made to appear very ridiculous.

The instrumentality by which, from the beginning, man has won and held every step of this development of civilization, is capital. Some people talk about ideas and philosophy which, they think, have ruled the affairs of men. The ideas are only secondary. The philosophy, when it has acted as a cause, has taken the form of dogma, and has done harm as often as good. We may take illustrations in proof from the present time. There is a dogma afloat that labor alone makes wealth, so that the whole product should belong of right to the laborer. Another dogma is that limiting the hours of labor would make work for more laborers, and another is that any wealth which one man accumulates is so much taken from some or all other men. Another is that all increase

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in the value of land or franchises is due to the social organization and activity, and, therefore, should not go to the holders. These dogmas are all false, but they are of great scope. They are great fighting dogmas because they serve interests. It is for this reason that they win acceptance, because the great reason for inventing dogmas, principles, and phrases is to use them in controversy. These dogmas, therefore, which I have mentioned will, if adopted as the norm of legislation, produce destructive convulsions in society and nothing else. In the meantime the social development is going on by slow accretions which nobody notices; they are won by adjustments between the interests of men who meet new problems every day and solve them as well as they can under the conditions prevailing. These adjustments are all made by means of capital, because the interests are all matters of capital, and all the readjustments are secured by capital. In their turn they favor the creation of capital, because the readjustments which serve interests always mean attempts to win a given result by a smaller expenditure of labor and capital.

Others think that "organization" is the great force which has made civilization; they think that organization is arbitrary and subject to manipulation, and consequently it is upon the organization that they bring their efforts to bear. Organization has, of course, been a commanding phenomenon in the development of civilization. A student of that development is not likely to disregard organization. For myself, I am convinced that much is yet to be gained by better appreciation of the element of organization. But organization is only the *mode* under which the work of life goes on. It is not a force—it never can force anything. It has to do with the smoothness and harmony of the operations. In

human society, in its lower forms, organization has always produced itself spontaneously and automatically and has, therefore, just suited itself to the case. It has sometimes become traditional and dogmatic, and for that reason it has become a hindrance, preventing necessary readjustments. Then societal convulsions and revolutions have occurred. In civilized society organization is equally spontaneous and automatic. In the civil organization some element of arbitrary action has become possible, and this it is apparently which has caused the notion that societal organization is a thing subject to conventions and resolutions. In regard to the civil organization, however, the chance of some arbitrary action has only introduced an element of risk and peril, just as an intelligent being runs the risk of going wrong where an instinctive being never has to face any question at all. All attempts so far made to extend the domain of policy in social matters have resulted only in doubt and in warnings of danger; the proposition to adopt a policy of organization can never do anything but disturb the harmony of the societal system which is its greatest advantage. They never will really change the societal organization, for it is already controlled by the mighty forces of interest. For instance: if so-called trusts are now a real step in the evolution of the industrial organization, a legislative policy of sweeping and destructive opposition to them is vain, and after producing great confusion and animosity and loss, will have to be abandoned. The case of department stores is similar and more simple and obvious. If the wages organization is suited to the present conditions of industry, it is quite useless to try to invent any organization of labor to supersede it. On the other hand, we may, from this case, see how the organization changes, for if the interests of men are not

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served by the wages organization they will seek to modify it in the detail in which it is unsatisfactory, whence it may follow in time that some different organization will be gradually evolved to take its place. Harmony of action, with the highest possible satisfaction of interests, is the point of equilibrium towards which the organization is always tending. Those men nowadays who can foresee the next steps to be taken to advance on this line are the great generals of the modern industrial army. If the organization is bad, it can waste and impede the effort; if it is good, it can allow the effort to reach its maximum result under the conditions. That is the sum of all that can be said about organization.

We must return then to the proposition already made. If men are not now in beastliness and utter want, it is by virtue of labor and self-denial. Labor and self-denial have been embodied in useful things, that is, capital. The things won on the one stage have become new instrumentalities on the next stage. It is not strange that the growth has been so slow, especially in its earlier stages, when we see how hard the struggle has been, and how much it has been at war with human nature. It is only when we have gained some conception of the painful and toilsome effort by which every step has been won, that we can estimate at its full value the civilization which we have inherited; but then, too, we are driven to believe that we never can gain anything more except by the same means. The great reason why the advance of civilization has been so slow is that it has never gone forward steadily. Its progress has been broken up. It has been broken up by ignorance and superstition, which is, of course, simply saying that it never could go on faster than men's knowledge at that stage could carry it. It has also been broken up by passion, and by strife over ques-

tions of policy. All this remains just the same now as it ever was. Discord, strife, and war break up the orderly and co-operative effort to reach a higher satisfaction of our interests — which seems to be alone worthy of intelligent and civilized men. The ignorance, folly, and strife destroy capital; the orderly and well-organized efforts to satisfy, create and preserve capital. The presence of capital does not insure the extension of civilization, for the capital may be wasted by error or it may be employed entirely in an increase of population; but an extension of civilization without an increase of effective capital or a diminution of members is impossible.

It may seem to you that the course of thought on which I have so far led you was somewhat too academical or philosophical for this occasion, but I am now ready to return to the orator and the savings bank depositors whom I mentioned at the outset. The facts and ideas which I have presented to you show that the savings bank depositor is a hero of civilization, for he is helping in the accumulation of that capital which is the indispensable prerequisite of all we care for and all we want to do here on earth. The more convinced you are that the notions and devices which are offered to us by social speculators as the means of social progress are all vain, and that the whole effort to find some means of easily making everybody happy is a waste of time, the more you will be thrown back on the industrial virtues as the only moral resources at our command which enable us men to fight the battle of life with success. The industrial virtues are industry, frugality, prudence, and temperance. We cannot, however, deny the presence of another element which is powerful in determining our success—the element of good or ill fortune. It is true that men have fortune, or destiny, or Divine Providence at hand as a convenient

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agency on which to throw the blame for the consequences of their own acts, especially for those acts which are violations of the industrial virtues; but when all is said in correction of the popular abuse of luck, it is useless to deny that good or ill fortune may make or mar the success of men in spite of their most careful endeavors. This element, however, is irrational; there is an element in it of which we are ignorant. Therefore, it is beyond our command and we have to submit to it and make the best of it. Our only means of dealing with it, where we can do so, is to meet it co-operatively as we do in insurance.

Returning, then, to the industrial virtues, I repeat that they are our only moral resource for winning success in the battle of life. The greater the disadvantages under which one starts in life, the higher the value of these virtues for winning the first foothold and making the first step to something better. There is reason for profound faith in any device which is proposed for societal improvement if, upon strict analysis, we can find that it will touch the springs of industrial virtue and raise the industrial virtues to higher activity. There is no ground for faith in any device which does not stimulate those virtues. It is not necessary to add that if devices which are proposed are found upon examination to stimulate envy or vanity, or fondness for talk, or a desire to live by one's wits, they are only mischievous. It is not easy for us to form estimates of each other's virtues, especially when we look at each other in classes, but the savings bank depositor, as a type, gives the surest and most concrete evidence of the industrial virtues. He must be industrious, frugal, prudent, and temperate. He is a capitalist; he is getting in hand that power which, as I have said, has created and now upholds all civilization. He is winning a share in its power. He is getting the

upper hand of the tasks of life. He is fortifying himself against bad luck and disaster. He is developing his own character by the self-denial and the persistent pursuit of a selected purpose which he is obliged to practise. You find nowhere else such guarantees of sound judgment, sober reason, and moderate temper as are offered by the fact of saving. There is no other guarantee of good citizenship which is so simple and positive, and at the same time so far-reaching, as the possession of savings. The seats-full of savings bank depositors who went out of the lecture proved it.

The old classical saying was: he who has wife and children has given pledges to fortune. He has opened avenues by which misfortune can reach him through other lives. But capital is the chief means of protecting those dependents; it gives education to the children and puts them on a higher plane for the battle of life than that on which their parents stood. It is right to conceive of the human race on this earth as engaged in an endless battle with the conditions of existence, striving so to modify them that men may get more out of their lives in the way of satisfaction of the possibilities of human nature. For a century past the current popular notion has been that the way to win the battle is to "raise the lower classes." The notion seems to be that the vicious criminal and poverty-stricken classes are a certain number of human beings who are miserable or harmful. It is thought that, if this number can be cured of social disease, all will be well. This notion is based on childish misconceptions as to what society is and as to the nature of social disease. Projects to abolish poverty are worthy of an age which has undertaken to discuss the abolition of disease. Why not abolish death and be as gods once for all? Why not resolve that everybody shall be good and happy? Why

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not vote that everybody shall have whatever he wants? Why trifle with details? If these agencies can get us anything, they can just as well get us everything. The trouble with creation out of nothing is not to make a universe; it is to make an atom of star-dust. If, then, we turn away from all these notions and devices and try to understand the case of man on earth just as it is, we find that our task always is to do the best we can under the conditions in which we are and with the means which we possess. Then it appears that capital is the means with which we do it and that it is by capital spent on the education and training of the rising generation that we keep up that advancing fight against the ills of life to which I have referred. I do not suppose that the savings bank depositors who left the lecture knew much about all this, but that class of men have a way of their own of getting at things. The possession of capital gives an acuteness of insight into whatever affects capital; men who have tried saving have not much patience with rhetoric and dogmatism about how to get on in life, and we know how acute they become in perceiving that the upshot of the schemes is to make them share their savings with those who have never done any saving. I suppose that when the savings bank depositors got up and left the lecture, it was an expression of this impatience.

I never saw a poem about the savings bank depositor. Poems are all written about heroes, kings, soldiers, and lovers; there are plenty of poems about glory, and love, and ambition, and even about poverty, but saving is passed by as sordid and mean — utterly unpoetical. It has always been thought noble to spend and mean to save, which only shows how far we are yet, with all our boasting, preaching, and discussing, from sound standards of judgment about the operations of society. It has, how-

ever, always been recognized that, among subjects of dramatic interest and power, the hero struggling against adversity with fortitude and perseverance is one of the grandest. In our modern commercial and unadventurous life, you will hardly find nobler examples of it than those seats-full of people who, after saving a little to make a beginning, had built two tenement cottages the mortgages on which they were trying to pay off.

Some people will answer that they see the utility and even the moral grandeur of savings by poor people, but that they dread and disapprove of accumulation. If the savings bank depositor saves enough to pass on up into the class of large and independent investors and finally to enter the class technically known as "capitalists," our social philosophers withdraw their sympathy and respect from him and denounce him because he is rich. Savings banks would then seem to be useful institutions because they are vicious only up to a certain point. Savings banks are the most efficient institutions for aggregating capital which we possess. That is the most useful function which they perform, when we regard them from the standpoint of society, not of the individual depositor. In fact, we must believe that, if the motives of thrift could be made to actuate the population far more widely than they now do, resources of capital could be found in the increased savings of the mass of the population of which we have at present but little idea. Savings are like taxes: if you want big results you must look to the aggregation of millions of small sums from the whole population, not to the aggregate of a few big sums from the millionaires.

In this connection the movement of the current rate of interest, regarding that rate as a stimulus to saving, is a very interesting and important phenomenon. If we knew more about the causes of the fluctuations of the

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interest rate we should gain a deeper insight than we now possess into some of the operations of the industrial system; especially we should gain a text which we very much need for the effects of legislation and taxes. The rate at present favors the borrower, not the depositor. If such a tendency of the rate was a result of an accumulation of capital more rapid than the extension of enterprise, it would no doubt be advantageous; it would bring about a reaction which would produce readjustments and would be ultimately healthful. I find it difficult to conceive of an increase of capital in excess of the extension of enterprise, under the circumstances of industry and of public temper which characterize our society. The fact that the interest rate is as low here as in Western Europe, or even lower, seems to me to be abnormal and even irrational. It seems to me to point to errors of legislation. Our people have been congratulating themselves for two years on an enormous balance of trade in our favor. We have had large crops of cereals when other people had small ones, and so we have sold the whole at high prices; and the consequence is that we have paid our debts, have got out of bad times into good ones, have dispelled our political anxieties, and have capital out in Europe. But when we try to draw home our credits we find that our rate of interest falls — within a year we have seen it fall a full point. I find one statesman quoted in a newspaper as saying: "If present conditions continue, it looks as if all the gold in the world will come into the United States." That is probably the most grotesque notion that could enter anybody's head. It seems clear that the fluctuation which we have experienced does not correspond to the normal action of the forces which should produce the rate of interest, and that the effects of it are not subject for congratulation. A higher rate than that now

prevailing would give tone to the money market; it would be a benefit to small investors; it would remove perils which threaten speculation, and would lessen the dangers of discount banking; it would be a benefit to enterprise by giving greater steadiness and sobriety, especially as to the future; it would restore the relation which should exist between a new country and old ones. How can things be in a normal and healthful condition when we cannot earn greater interest on capital in a new country than what people will bid for it in old ones?

I was led to notice the rate of interest because I was speaking of the possible increase in the accumulation of capital which might be produced if the motives of saving could be stimulated throughout the mass of the people. By the side of the facts to which I have referred, and which are sometimes interpreted as showing that the formation of capital at present outstrips the extension of enterprise, there are other facts which show enormous demand for capital on account of unprecedented extensions of enterprise. It is idle folly to meet these phenomena with wailings about the danger of the accumulation of great wealth in few hands. The phenomena themselves prove that we have tasks to perform which require large aggregations of capital. Moreover, the capital, to be effective, must be in few hands, for the simple reason that there are very few men who are able to handle great aggregations of capital. This is also the reason why the attempts to execute great enterprises by the state or municipality, that is, by elected officers, especially in a democratic republic, are sure to be wasteful and comparative failures. The men who are competent to organize great enterprises and to handle great amounts of capital must be found by natural selection, not by political election. It is plainly childish to attack those elements of a case which

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are essential to it. If the aim is to establish tests and guarantees, or regulations, then there is room for discussion, but it is evident folly to say that we want a certain result and then to say that we will not consent to the most fundamental conditions of what we want. The aggregation of large amounts of capital in few hands is the first condition of the fulfilment of the most important tasks of civilization which now confront us. If, therefore, the view which I have suggested is correct — that, in spite of some present appearances to the contrary, there is to be, in the near future, a greatly increased demand for capital — then a great increase of the popular desire to save would be contributory to the present needs of society.

I have suggested, in this paper, that the savings bank depositor gets an education and development of character from the practise of saving. He gets a point of view and a way of looking at things which are substantially the same as those of all capitalists. The seats-full of savings bank depositors whom I mentioned at the outset incurred the ire of the agitator because they showed this. He was addressing poor men and men of the wages class, to which they belonged, but instead of responding to his class appeal as he wanted them to do, they showed the sentiments of the capitalist class. Hence his dissatisfaction with them. We have had experience of the political value and importance of the same conservative sentiments and property interests of the small capitalists. It is a matter for regret that the savings bank depositor does not know more about the investment of his own savings. If he knew, so to express it, where his money is, how it is being used, how the interest which he receives is won, and what is the nature of the political risks and perils to which his savings may be

exposed, the social and political consequences would be most beneficial.

I once also heard another orator who was dilating upon the ills of life declare that the great cause of human woe was the "devil of interest." There is no doubt that interest is an awful devil. Your feeling towards this devil, however, depends on whether you are working for him or he is working for you. If you are working for him, especially if you have bound yourself to terms which are imprudent, beyond your strength, and full of gambling risk, then he is an awful taskmaster. You dare not eat, or sleep, or play. Pay-day seems to come every other day. Instead of winning release by work, you may see your load grow bigger and bigger, in spite of all you do, until you come to ruin. Therefore, when you are going to work for him, which we all have to do sometimes, you must be sure that you undertake only what you can accomplish within the conditions in which you find yourself. But if the devil of interest is working for you, he will work while you eat, and sleep, and play, and while you work to earn more. You must be careful to have him well harnessed and to give him proper superintendence and directions. Then, if time seems to you to slip away rapidly, and if old age comes on apace, the devil of interest will give you the only consolation you can get for your failing powers. When you turn to your savings bank book you will see that your capital is increasing just as rapidly as the flight of time, and that it will be ready to support your existence when your ability to work gives out. I have spoken about the power and beneficence of capital to maintain civilization; this last is its power and beneficence to guide the fate and sustain the happiness of the individual.