

**PROFESSOR SELIGMAN
PRESENTATION**

Mr. Chairman, Ladies and Gentlemen:

In beginning a debate of this magnitude, it is pertinent to inquire what the words mean. What do we really understand by capitalism and what by socialism? Unless we are clear about that, we are wandering in a maze of uncertainty. Now, by capitalism, I think we may understand that form of industrial organization where the means of production—and by that, I mean primarily under modern technological conditions the machine and the funds required to work the machine, are in the control of private individuals. The difficulty of defining Socialism is that while Capitalism is an institution, Socialism is only a theory, unless indeed we except the sporadic examples that we find in the middle of the 19th century in this country, and unless we also except the gigantic enterprise that is now being conducted by Soviet Russia. There are all manner of forms of Socialism and Socialistic theory. There is the Communistic Socialism. There is the Anarchistic Socialism. There is the State Socialism. There is the sentimental and scientific Socialism. And finally there is the Guild Socialism. What is worse, the Socialists themselves are by no means in agreement. The scientific Socialist, the Marxist, scorns the sentimental Socialist. The Marxian Socialism is supposed to be interpreted by the Menshevik Socialist, but the Menshevik is put by the Bolshevik Socialist in the ranks of the bourgeois. So that you have your choice of the different brands of Socialism as a theory. But as an organization, as an industrial form, all these various forms and kinds of Socialism are permeated by one common idea. That is, that the control of the methods of production, that the control of capital—for, of course, Socialists like everyone else concede the necessity of capital—that the control of capital shall be in the hands of the group and that there shall be no room for private rent, private interest, or private profits.

Having thus defined those two opposing ideas, the next point that I desire to make is that while there are all forms and kinds of capitalists, just as there are all kinds and manner of human beings, there are reactionary or stand-pat capitalists and forward-looking, progressive capitalists. While that is true, my contention is that there is only one form of capitalism and that is progressive capitalism. Every form of industrial organization is progressive. Slavery in the early centuries was

very different from slavery in the later centuries. Serfdom at the beginning was very different from serfdom at the end. Feudalism at the inception was quite contrary perhaps in many respects, to feudalism at the end. Capitalism is in the very earliest stages of its development and there are still huge portions of the World which have not yet entered upon capitalism, like parts of China, like Africa, like many other portions of the World. My contention, therefore, is that by capitalism we mean a progressive form of industrial society.

The next point I desire to make is that capitalism must not be misunderstood. Our debate relates to the welfare of the laborer under capitalism. Now, it depends not alone upon the direct results so far as the laborer is concerned, what he gets in the way of food and remuneration for his services, etc., but it depends also upon the indirect results. Therefore, the problem is not simply an analysis of the better distribution of wealth, but it is also the far more important problem of the production of wealth. We must consider the two forms of industrial organization from both these points of view.

And finally, before we proceed to come to close grips with the subject itself, let me call attention to the fact that while I do not intend to discuss the theories of Socialism nor the ideal frame-work of society as elaborated by Karl Marx, I do wish to point out that among his many fundamental doctrines, two at least and those most germane to our discussion are no longer upheld and maintained by many of the Socialists themselves. The ordinary Socialist will say to you that the rich are getting richer and the poor are getting poorer. That is simply putting into common language, the pauperization theory of society as outlined by Karl Marx. We all know however that the facts have given lie to this statement and while it is true that the rich have gotten richer, it is also true that the poor are no longer so poor as they were. This has led no less important Socialists than Bernstein in Germany and Tugan Baronowsky in Russia to say, "Let us abandon that argument for Socialism." The other argument which is germane to our discussion is the cataclysm theory of society, the argument of Marx that owing to the accumulation of capital, crises occur every few years, that these crises and panics go from worse to worse until finally they become so overwhelming in their nature that a

catastrophic cataclysm of society will occur, and Socialism will come in. Marx wrote in the fifties and sixties, and indeed in the early period of capitalist society, it seemed as if his theory were being borne out by the facts. The panic of 1837 was worse than that of 1818; that of 1857 was still worse; that of 1873, the world-wide crisis, the worst of all. But, then, and for reasons that I shall mention, came a change. We had gotten over the top and in 1884 the panic was not quite so bad as in 1873 and in 1894 it was not so bad as it was in 1884, and in 1907 it was markedly less bad than in 1894 and today where we are again at the beginning of a period of depression and bad business and unemployment, we are no longer confronted by even the prospect of anything like that which happened in the 19th Century. And what is still more true, we find that where Socialism has been adopted as it has been adopted in Russia today, the lie again is given to the Marxian theory because the revolution has come not in a country where Capitalism has been most developed but in the country where Capitalism has been least developed.

Now, then, taking up the points in order, I want first to call attention to the achievements of Capitalism. We are now not discussing what might have been attained under other conditions but simply what has been attained. What are the actual facts and the achievements of Capitalism? I should sum them up as follows: first and foremost, I should say that we must recognize the accumulation of wealth irrespective of where it is and in whose hands it is—the cheapening of production and the accumulation of wealth—because it is undeniable that certain advantages from this accumulation of capital and wealth accrue to the worker. Take as an example the railway system of this country with its twenty billions of capital, which would have been impossible in any preceding order of society and consider its benefits in taking the laborer to and from his work every day; take the accumulation of wealth as typified in this city in our Public Libraries, in our Natural Museum of History, in our Museum of Art and in all the other things which make for the convenience and pleasure of life. None of these things would have been possible nor are they possible nor have they ever been possible in a state of society where there has not been an accumulation

of capital. For while civilization indeed has its spiritual and indubitable ethical and religious ends, there is no doubt that civilization as we know it, even on the spiritual side must needs be built up on a certain material basis and sub-structure. The accumulation of capital itself is an undoubted achievement.

In the second place, I should put the diversification of consumption. Compare the world today with what it was in all previous ages and consider what the laborer—even though he be the most poorly paid of all laborers—eats and what he wears and what he has with which to shelter himself. All of this is the result of the capitalist system. The bread which he eats comes from the wheat grown on the farms of North Dakota, and milled in the great mills of Minneapolis and brought here by the railway. The meat which he consumes comes from the Far West of this country or perhaps from the pampas of Argentine. The tea which his family occasionally drinks is brought from far off Cathay and the sugar with which he sweetens the cup comes from all parts of the world, from Cuba or the Far East. Even the tobacco with which he solaces his leisure hours may for all he knows come from Sumatra or from other portions of the Orient. And so it is with what he wears. His shoe is made of leather, tanned from the hides brought from the wilds of Siberia, the steppes of Russia or the plains of South America. The wool which makes his suit may come for all he knows from Australia and even the soap with which he occasionally washes himself (laughter) in all probability comes from the palm or the cocoa oil of Africa; while the trolley with which he goes to his work is built very largely of iron produced in the mills of Pittsburgh from the raw material from all parts of the West. This gigantic capitalist machine has rendered possible a diversification of consumption which has been unknown heretofore in the history of the World.

In the third place, capitalism is responsible for democracy. The democracy of classic antiquity was one based on sham, a pseudo-democracy resting upon slavery. The democracy even of our fore-fathers, when we declared our independence of England, was not a real democracy. It was an aristocracy. The policies of New Yorkers as late as 1800 at the time of Hamil-

ton and Burr were run by the great families precisely as in England, and it is false to claim as many have claimed that it is the frontier that has given us our democracy. We had a frontier in the 18th century and we had no democracy. England has no frontier in the British Isles today and has produced a democracy. What has brought about democracy is the industrial revolution or modern capitalism and that means a public opinion which has never existed before in the history of the World. As a result every workman, no matter how humble he be, today has democracy and enjoys a voice in influencing even to a small extent the management of the affairs of the State under which he lives.

In the fourth place, I should put as one of the achievements of capitalism, liberty of movement. In the middle ages, there was no liberty. The serf was bound to the soil and it is only since capitalism has developed that we have the modern liberty of movement, carrying with it as a result the liberty of production as well as the liberty of consumption.

And finally, to cap the climax, modern capitalism is responsible for education and for science. Never before in the history of the World have we had a form of public instruction comparable to our own. Weak though it be, defective though it be, sadly inadequate though it be, the amounts of money that are spent today in every modern capitalistic society for the public schools, for the education that goes down into the kindergarten and up into the State University is something that the World before has never known. And science also is a direct product of capitalism. There was indeed a certain form of science among the Greeks, among the Arabs, etc. But science, by which we mean the unlocking of the secrets of nature, is distinctly a modern product. It began only with the introduction of modern capitalism and it is most strongly developed and progressive in the home of modern capitalism. And you all see why that is—because the modern business man in order to succeed must know the secrets of nature. He must secure the proof and in order to get the proof he must employ and utilize those forms of organized investigation which we call science.

Now, ladies and gentlemen, those are great achievements. Never before in the several hundred thousands or millions of

years that man has been upon the Earth have such things been accomplished.

I do not deny indeed that there is a dark side as well and to that I now come to address myself for a few minutes. What are the weaknesses and the excrescences of capitalism? My point is that since capitalism is a progressive form of society, these weaknesses are remediable and these excrescences are being lopped off. What are those weaknesses? In the first place, we have unfair competition between businesses and human beings. But we all realize that this is gradually being done away with. A Jay Gould or Jim Fiske would be unthinkable in modern times; and even though in the railways we may still hear of the Rock Island or the Atchison or the New Haven and Hartford, we must remember that now for the first time in the history of our country, their forces are being harnessed up and that the Interstate Commerce Commission is now regulating the issue of securities which will render such things impossible in the future. What President Roosevelt did, among all his many accomplishments, was to so change certain forms of unfair competition as to make them more difficult. Society under modern capitalism, is gradually rendering competition more and more fair.

In the second place, we have as one of these sad results, the fact that unjust privileges still continue and that certain forms of integrated organization known as potential monopolies sometimes make their appearance. But we find also that as soon as those evils are recognized they are being counteracted and we have today in our trade commission and in many other forms of organization a powerful counter-agent which is gradually doing away with many forms of privilege.

In the third place, I should say that modern capitalism does result in exaggerated fortunes. The development of a leisure class has its bad sides at a time when everyone ought to be working. But what has society under modern capitalism done? A generation ago, I wrote a book on Progressive Taxation and I was attacked on all sides by the reactionary and the stand-patter on the ground that I was preaching confiscation. Nowadays, everyone, the capitalist like the others, not only believes in, but argues for, progressive taxation. We have today gone further in this country than in any other—perhaps as some of

us think even too far—with a system that takes up to 69-73 per cent of a man's income and in some cases even more. Progressive taxation is a sign of what modern capitalism is doing to restrict some of its own evils. ✓

Now, when you come to the laborer there are of course very great evils, but they also are gradually being overcome. Take the conditions of work and the hours of work. Many years ago, the reform movement was for twelve hours a day. I remember the ten hour day movement. Then there came the great fight for the eight hour day, and now some of our factory laws even permit only a six hour day in certain industries. Capitalism itself is gradually changing those conditions (hearty laughter)—capitalism is changing those conditions not because it likes to do it but because it is compelled to do it by the letting loose of those very forces which are implicit in modern forms of capitalism. As it is with the hours, so with the wages. Wages are by no means what they ought to be. Wages are certainly far less than they should be. But wages have been growing during the last hundred years indubitably, and starting in Australia, going on to England, and now proceeding in this country, we have the great minimum-wage movement which is gradually improving those conditions.

And finally we come to the two great indictments of our present system: first, the insecurity of employment for the workman—that very great evil which is being attacked and which is entirely susceptible of being eradicated by the application of the same principle that we have applied to accidents, that we have applied to many other evils, namely, the insurance principle. There is no reason why the workman should be made to bear as he does today, the burden of unemployment and of insecurity of tenure. (Applause.)

We have already today in the unemployment insurance law of England the faint beginnings of a movement which I am convinced will spread within the next three or four decades like wildfire throughout the World. The regularization of industry must be brought about by industry itself with the aid of the State and it is being brought about under modern methods.

And finally, the last point, the joylessness of life. That to a certain extent must continue under any form of industrial

government, as long as we have the machine. Machines will be needed under socialism as under capitalism. But the real joylessness of the machine tender can be diminished and can be partially done away with by giving him more of a participation in the industry itself, as we are gradually doing through what we call industrial democracy. By giving him more hours of leisure as we are gradually doing, we are giving him the time in which he can regain the joy which he loses in his work. The joylessness of industry is not so much the indictment of capitalism as it is the indictment of machinery. We must meet it and fight it and counter it wherever we can.

Now, ladies and gentlemen, in the few minutes that are left, I want to say a word to explain why, with all these reservations, I am not a Socialist. (Laughter). And I should put it in this way. In the first place, as regards the remuneration of labor, Socialism preaches equal pay. A bonus, Lenin told us, was something only for bourgeois society. Equal pay means payment according to need. But unfortunately it is not payment according to need but rather according to efficient work that is really productive. Even in Russia today, they have been compelled as you all know to give up their original plans of payment according to need and they now have developed the bonus system to a point even unheard of in the United States.

In the second place, let us deal with the other side of it, the man at the top. If society has progressed at all events in some respects, it is due above all to the man who has been the leader—the leader in industry. Leaders are rare in industry. And while I am perfectly well aware of the new psychology which shows us the fallacy of the old economic man of Ricardo, it remains none the less true that the real impulses and tendencies of human nature, the desire for distinction, for self-expression, for mastery, that all these things after all center themselves in the effort to do a little better than one's neighbor. We may not believe as our great Emerson said that we are all as lazy as we dare to be, but it is true that the race-horse does best when he has a pace-maker and even we who sometimes play golf, don't play as well alone as when we play against a partner.

Now, ladies and gentlemen, under socialism, the possibilities of leadership would be restricted for two reasons:



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first, you would not have the incentive that you have now and in the second place, the risk would be far more limited. Nowadays people who get to the top through the selective process do so because they are willing and able to take risks. Under any form of socialistic government, the risk could not, would not be taken because they could not afford to take it. These two points, the selective process of the modern competitive system and the restriction of the risk function in modern society are to my mind the chief indictments against Socialism. Then we come finally to the restriction of liberty. I need only allude to certain Socialists themselves who tell us what the other kinds of Socialism would do in restraining liberty. But of that point we shall speak later. At all events you see why I am not a Socialist. (Great and prolonged applause).

CHAIRMAN: Every American, whatever his economic beliefs, owes a debt of gratitude to the next speaker. He was one of those Americans who insisted even in war time upon that freedom of conscience and liberty to speak and write which are guaranteed by the Constitution of the United States. (Great applause). The foolish and blind law officers of a now utterly discredited administration sought to deprive him and us of the rights for which he stood and Mr. Scott Nearing went into the Court and unlike some others placed in the same position, abated not one jot from the position which he had taken. (Great applause). And with true intellectual heroism convinced a jury of American citizens that he was within his rights and this was still in some respects a free country. (Laughter). I have the pleasure of presenting Scott Nearing. (Prolonged applause).