

CHAPTER XX.

Application of the Law of Equal Freedom.

True enough, true enough, capitalism has in fact subordinated the interests of all to the greed of a few, as our socialistic friend says. But that is not capitalism per se. That is not capitalism in and of itself. That is perverted capitalism. I am talking of capitalism unperverted; remember that—unperverted, unperverted.

No, not at all; I don't allude to perversions by individuals. A man may rob a hen roost, thereby diverting one kind of wealth from its owner; or may bribe officials, thereby diverting other kinds of wealth; but all this sort of thing is mere individual rascality. What I am trying to do is to distinguish individual from institutional perversions. I am not thinking of tainted money. I do not allude to any of the perversions of capitalism which the community wouldn't tolerate if the facts were known. These are not the perversions that make capitalism seem like a social ogre. The perversions of capitalism that do make it seem so, and to which I do allude, are the institutional perversions that are maintained by common consent, with full general knowledge of the facts, but in general ignorance of their industrial effects and moral significance.

Were it not for these institutional perversions, Doctor, I really believe that capitalism would produce, in a normal way, through orderly evolutionary processes, under the regulation of the social law of equal freedom operating in conjunction

with the individual law of the line of least resistance—I truly believe that in the absence of those perverting institutions, capitalism would produce a co-operative commonwealth of social service infinitely better than any which the fondest visions of utopian dreamers have ever revealed.

By evolutionary processes, I say; not by conventional contrivances. Conventional contrivances are arbitrarily coercive, and a true co-operative commonwealth must be free of arbitrary coercion. No co-operative commonwealth would be free in which, or over which, there were any who as king, or president, or governor, or committeeman, or legislature or bureaucrat, could coerce beyond the point of preventing each from invading the equal freedom of any other.

The only coercion beyond that would be on the basis of contract, free contract. And what objectionable coercive power could there be, let me ask, if all the parties to every contract were governed in their bargaining only by their own reciprocal desires and the necessity of leaving others in equal freedom? When each bargains freely and upon an equal footing, the resulting coercion must be equal. When the motive of each is the betterment that a free contract gives to both, and not the exercise by either of any power due to institutional advantages in negotiation, arbitrary coercion is almost unthinkable. And this is the distinctive characteristic of capitalism unperverted.

For in the last analysis a capitalistic regime is a regime of contract. As all things in the social service market are capitalized, men deal in them on a basis of value, value being the capitalistic measuring rod of social-service contracts, just as the terms of value are the capitalistic language of the social service market. The whole affair is contractual, don't you see it is?

And since it is all contractual, don't you also see that our objective in dealing with capitalistic evils should be to secure conditions of contractual freedom? Don't you see that equality of contractual status is the underlying necessity? It is the truth, Doctor; it is the truth. Equal contractual freedom is the secret of beneficence in capitalism; unequal contractual freedom is the secret of such malevolence in capitalism as perverts it.

Let there be true contractual freedom among individuals for the interchange of services, and capitalism will give us a co-operative commonwealth that will grow better as it grows older. Let the present contractual inequalities remain in capitalism, and they will multiply until capitalism develops not into a co-operative commonwealth but into a plutocratic tyranny inconceivably worse than any tyranny of which we know.

Abolish capitalism! Why that would be to substitute authority for contract. Our socialistic friend? I know he does—he always insists that the abolition of capitalism would promote freedom of contract. But every practical suggestion I have ever read or heard of for abolishing capitalism certainly does involve a more or less complete abolition of contractual methods—absolutely complete so far as large transactions are concerned. Isn't it true, at any rate, that every proposal our friend suggests is either utopian, in the sense of being dreamy and impracticable, or else is so arbitrary that no room for free contract is left?

And so it is with him as to abolishing competition. No, I shan't go into that question again, except to ask you to observe that the choice is not between competition and something better. It is between competition and bureaucratic regulation. Bureaucratic regulation is destructive of free con-

tract; competition is of the essence of free contract.

In his indictments of capitalism, however, as distinguished from his notions of reconstruction, our socialistic friend has no thought of abolishing contract. His complaints against capitalism are all directed not at the element of free contract but at the element of inequality of contractual conditions. In other words, Doctor, when you sweep away our friend's book patter and his "soap box" phrases, and probe his thought, you find that he and I are pretty close together. His complaint is really not against capitalism. That term is only one of his habituais, like "proletariat," "bourgeoisie," "wage-slave," and so on, which are his "he-gods" and his "she-devils." It is not really capitalism, I say, that he condemns. It is the perversions of capitalism.

Be fair enough to him to get at his thought back of his words. Through his flood of socialistic terms you will find that his intellectual guns are really leveled, not at the contractual characteristic of capitalism, but at the conditions of privilege which destroy freedom of contract—destroy it by investing some bargainers with contractual advantages and placing others at contractual disadvantage. And if you follow his earnest thought with sympathetic thought of your own, you will find, as I think I have found, that the capital which he thinks of as monopolistic is not every kind of capital, nor even every kind of large capital, but *natural* capital as distinguished from *artificial* capital.

Yes, I know, he always includes large machinery, which is artificial, of course; but when you get him down to specifications, his monopoly of large machinery always turns out to be, or to depend upon, monopoly of land—except as it may now and then be a patent monopoly, or some other

form of governmental franchise which is at bottom analogous to landed franchises.

What we need, Doctor, in order to produce a civilization of social justice, and what I think our friend will yet agree to, is not the abolition of capitalism with its ideal of free competition and free contract, but the abolition or readjustment of institutions which pervert capitalism.

Only the other day I was talking with him about his program. It was during a political campaign. He said he really had no program except to raise the working class to political power. "How can I foretell," he asked, "what the working class will do when it gets into power?" Of course, I agreed that he couldn't foretell at all. Indeed, I agreed with him further. I agreed that the working class ought to be in power—meaning by working class, you understand, not a personal class composed of particular grades of workers, but those impersonal industrial interests of all degrees that may be distinguished in the mass as working interests in opposition to privileged interests. But I told him that the working interest cannot get into power as long as the planet is monopolized. "Let me have monopoly of the planet," I said to him, "and single handed I'll keep the great army of labor out of political power till the crack of doom." And I reckon I could, don't you?

To return, however, to what we were saying. Something very different from the abolition of capitalism, with its ideal of free contract, is needed to establish social justice. What is needed is the abolition, or readjustment, of institutions that pervert capitalism. Let me follow that thought a little further. We should not abolish contract, which is the essential characteristic of capitalism; on the contrary, we should make contract free by removing obstacles and securing equality of contractual opportunities. In other words, we should release

capitalism from the institutional ligaments that prevent its normal operation.

Quite likely you are right. The method or methods by which that would have to be done would be socialistic. I don't see how it could be done by leaving things alone. Society in its organized form—government if you please—would have to act; and it would have to act co-operatively, as the organized agent of unorganized society. A true saying was that of William J. Bryan in one of his non-partisan speeches in 1908—that government exhibits two influences, the coercive and the co-operative, and that the coercive declines and the co-operative advances with the advance of the common intelligence. I suppose that that is socialism in a sense. So is what I should propose for the redemption of capitalism from its institutional perversions. It is socialism in a sense.

Understand me, however, that I would not try to appropriate the name. "Socialism" is a word that has obtained currency with different meanings from mine in some respects. But neither would I shrink from acknowledging it, for it has a significance which no other word serves to express. Isn't there a tendency in human affairs which is best described as socialistic? It seems to me to be a reaction from the individualistic tendency, due I think to the fact that the two tendencies are natural and correlative, and that each, under the influence of the other, is by action and reaction seeking equilibrium. If, however, what I am aiming at is socialism, then I must call it *natural* socialism to distinguish it from the arbitrary or conventional or *artificial* forms of socialism that are often proposed.

Arbitrary socialists would abolish capitalism by means of conventional or artificial reorganizations of social service. They would thereby do away with the contractual mode of social service, and

substitute regulations by government, or bureau, or guild.

But natural socialism would retain and perfect freedom of contract by divesting capitalism of its perversions. Capitalism divested of its perversions would be natural socialism.

How is the thing to be done? By recourse to the social service law of equal freedom.

And that? By securing equality of contractual conditions for all.

And that? By practically—no, not virtually, but in actual practice—distinguishing in the social service market the two essentially different kinds of capitalism. Yes, I refer to natural and artificial capital—they must be distinguished according to their essential differences. What I mean is that equality of contractual conditions is to be secured by some practical distinction, with reference to capitalistic rights of property. We must distinguish between capitalized artificial instruments of production, and capitalized natural instruments of production, between artificial capital and natural capital.

How would that secure equality of contractual opportunity? In the same way in principle that the analogous distinction would have done so under feudalism. If the land—the planet, you know—had been treated in feudal times as the sacred inheritance of all, and its products as the sacred property of the producers and their contractual representatives, there would have been basic equality of contractual opportunity. Social servitors would have interchanged their individual services in such freedom as to have produced approximately the ideal of service for service. Feudal landlordism would then have been a social blessing instead of the social curse it was.

In those circumstances the people themselves would have been the real landlords, and the nomi-

nal landlords simply social trustees; and wouldn't freedom of contract have had opportunity then for full swing? Of course there might still have been arbitrary interferences with interchanges of service, and these would have been deadly if largely tolerated. But with the basic freedom established, which is freedom of access to the natural sources and sites for service, the advantage of position would have been with the people. Who would have been a cringing serf, yielding to arbitrary interference, where none were landless? What producer could have been coerced contractually where landed opportunities were equal? Men would have bargained in freedom and upon an equality even in feudal times, if the land had been for all. Nothing short of personal enslavement, direct physical coercion, could then have made any man say "lord" or "master" to any other; and that coercion would have been exceedingly difficult to impose had rights to land been equal.

Precisely so in principle, Doctor, in these post-feudal times, when modern capitalism has grown up out of feudal landlordism. Were we to treat capitalized land as the sacred inheritance of all, and its capitalized products as the sacred property of the producers and their contractual representatives, equality of contractual opportunity would forthwith appear, and capitalism would be a blessing instead of the curse it is. The people themselves, all together and in common, would then be the *land*-capitalists; while each for himself would be a *machine*-capitalist, either alone or in voluntary co-operation with others.

If you would slightly realize the importance of making land-capital a common inheritance—*natural* capital as we have called it in contradistinction to machine-capital, or *artificial* capital as we have called that,—if you would but faintly realize

the importance of this change, my dear Doctor, just look up the statistics of land capitalization as opposed to the capitalization of what is strictly capital. Look up the capitalization, that is, of the natural instruments of capitalistic production, and compare it with the capitalization of the artificial instruments. The data is exceedingly defective to be sure; but its defects are against me, not for me. Full and accurate data would show the aggregate of land values to be much more in excess of machine values than the defective statistics do. But defective as they are, the statistics of land capitalization are monumental as compared with the other kind of capitalization, if you look a little below the superficial figures.

Contrast, for instance, the values of city, town and village sites with the values of the improvements. In Greater New York it is something like two to one. Contrast the value of railroad rights of way, especially terminals, with the value of tracks and rolling stock. Contrast the value of mineral deposits with the value of mining machinery. Contrast the value of all the farming sites of any community or all communities, whether the sites are cultivated or not, with farm improvements. Why, Doctor, the capitalization of the natural instruments of production is enormously greater than the capitalization of artificial instruments.

And then think of another thing. The artificial instruments are wearing out. Each particular one of them is of less value every year than it was the year before. All of them together, aside from repairs and replacement, are worth less as a whole at any time than at almost any time theretofore. Not so with the natural instruments. Although the soil of farm sites wears out, and the deposits of mining sites give out, and sites of all kinds here and there depreciate in value in con-

sequence of shifting population, this is not so of most sites nor of all sites together. Sites as a capitalized whole, the land, the planet, this great natural instrument of production, upon which we depend for all other instruments, this *natural capital*, is worth more and not less from generation to generation. So that when the artificial instruments of any generation, the *artificial capital* which comes to that generation from the preceding generation, when this has all gone or almost all gone back to the land whence it came, and is of no more use and no more value, natural capital is more valuable than before and is capitalized higher than ever. It is the same old earth, the same revolving planet, with no extension of area and no addition of substance; but its capitalization has risen, and in consequence those who wish to exchange service for service must yield a larger service than ever to the owners of this natural capital.

Observe further, Doctor, that co-operative labor, the aggregate labor energy of the social service market, not only could but actually does, day by day and year by year and generation by generation, replace and improve and add to the artificial instruments of production, but that it cannot add to the area or the substance of the planet. It can and does increase the supply of *artificial capital* by production; it does not and cannot increase the supply of *natural capital* by creation.

Don't you think, Doctor, that if the planet, from which all these artificial instruments of social service must come if they come at all, and upon which they have to be utilized if utilized at all,—don't you think that if the capitalization of this planet were treated as a mass of common values, as *natural capital* which is fairly the inheritance and property of all, that an era of free bargaining would result, in consequence of which

the capitalization of products, including *artificial capital*, would be distributed in pretty fair proportion to useful service?

Don't you think that under these circumstances those who served best would get most? that those who served least would get least? that those who didn't serve at all would get nothing? and yet that even those who got most would nevertheless have no coercive powers over even those who got nothing?

What would become of those who didn't serve? Why, that would depend. They might get charity for humanity's sake, though they refused to pay their way with service. They might get gifts for friendship's sake; or support from over-fond mothers or wives; or loving family care, or just and liberal communal care, if they were really helpless to serve. But they would get nothing as matter of contractual right. The worthy would not suffer. As for the unworthy—well, we could then say to them what it is now a mockery to say to idle men: "Go to work!" For in those circumstances, Doctor, there would always and everywhere be more profitable work to do than men to do it.

Don't you see it all, Doctor? Well, if you do see it in theory, let us pass on to the practical. If you grasp the principle, let's get down to the concrete.

By what practical method may we distinguish natural capital from artificial capital, so as to secure under capitalism, in common to all as social units, the benefits of natural capital, and to each individual in proportion to his service the benefits of artificial capital? In other words, Doctor, how shall we in practice divest capitalism of its perversions, how establish natural socialism without

artificial socialism, how apply in practice to capitalism the social service law of equal freedom?

Yes, it's too late to go into that here; but come along with me to my house and we'll finish our talk as we go.