

CHAPTER VI

A COMPARISON OF REAL WITH SPURIOUS CAPITAL

THE examinations conducted in the two preceding chapters prove that industrial monopolies are not an inevitable outcome of the private ownership and control of industrial undertakings, as Socialism posits, but that they, in nearly all instances, arise from special privileges granted by the State. Therefore, no such far-reaching and disastrous remedy as that which Socialism provides is required for their abolition. Owing their existence to special privileges, the withdrawal of these privileges will terminate their existence. They are the creatures of the unjust interference of the State with the equal rights of its citizens. Not further interference, as Socialism demands, but the abolition of such interference is, therefore, required to terminate their existence.

The further demonstration, furnished by the preceding examination, is, that these monopoly-rights simulate the appearance of capital, and that the tribute which they exact largely simulates that of interest ; as also, that these must be carefully distinguished from real capital and real interest, if a true conception is to be formed of the influence upon the distribution of wealth which the private ownership of real capital and of unprivileged industrial undertakings exercises.

This distinction between real and spurious capital, between material products of human labour applied to land, and the immaterial products of legal enactments, must, however, be carried one step further.

All products of labour are destined to be consumed either in the direct satisfaction of human desires, as wealth,

or in their indirect satisfaction, as capital ; either in one act, as food, or in a series of acts extending over shorter or longer periods, as clothing, furniture, tools, machines, buildings, and others. The object aimed at in the production of all such things is the satisfaction of human wants, and the only way to achieve this object is by their destruction through consumption. Even if this object fails to be achieved, these products of human labour nevertheless disappear sooner or later. Either they are lost, as in shipwrecks, or destroyed in accidents, as in fires, or they gradually disappear under the influence of mechanical decay and chemical disintegration.

The products of human labour which retain their character of wealth for the longest period are gold, silver, and precious stones. It may be that among the stores of precious metals and jewels now existing, there is some portion which has been of service to man from the very dawn of history. Yet even these long-lived products of labour differ only in degree and not in kind from all other forms of real wealth. For even gold, silver, and precious stones tend to disappear again as soon as they are produced : jewels by being lost or spoiled ; precious metals by being consumed in the arts, or through wear and tear when passing from hand to hand as money, or when used as ornaments, or through being lost.

All wealth and capital, therefore, being the product of human labour, has, like man himself, a temporary existence only, and the stock of it, existing at any time, is far smaller than is generally supposed. Were the continuous processes of production to cease, even for one year, not only would the vast majority of men die of starvation, but there would be an unimaginable scarcity of all the more permanent forms of wealth and capital as well. Mankind lives mainly from hand to mouth. The wealth existing at any time is mainly the product of the labour of a few preceding years, and though some forms of wealth may continue to exist for comparatively long periods, as some buildings, statues, pictures, and others, not only are these rare exceptions, but it is only through the constant application of more labour that their life is thus prolonged.

Real capital, in common with all labour-products, is subject to this consumption, decay, and destruction. Legal enactments, however, are not subject to these influences. Unless they are repealed by another act of the Legislature they exist as long as the nation exists ; and as long as they remain in force, every monopoly-right which they create continues to exist as well. There is to-day in Great Britain scarcely any wealth, and certainly no form of capital, which dates back to the Norman Conquest ; but the monopoly of the land of Great Britain, then initiated, has continued to exist and has been extended and intensified. Many secondary monopoly-rights also, created centuries ago, continue to exist at the present time, of which the New River Company, which levies tribute upon a large section of the inhabitants of London, is only a prominent example.

The creation of new monopoly-rights, to which nearly all legislatures devote a considerable part of their time and energies, is, therefore, not necessarily counteracted, as is the case with real capital, by the disappearance of older creations, and, therefore, their mass is steadily increasing.

Moreover, social progress constantly tends to reduce the value of real wealth and capital, while it similarly tends to increase the value of all monopoly-rights. For social progress, consisting of increase in population, advance in the arts and sciences, lengthening of processes of production and multiplication of exchanges, tends steadily to facilitate and increase the production of all useful things, and thus to reduce their value, while it frequently leads also to the sudden destruction of value in forms of capital which have been rendered obsolete by new inventions and discoveries.

The same cause, however, tends to enormously increase the value of land and other monopoly-rights. To revert to previous examples, the land of England does not materially differ in extent, and does not differ at all in character, from what it was at the time of the Conquest. Yet the whole of its capital value at the former time would be covered over and over again by the tribute

which Englishmen now pay for its use within a single year. In the city of Adelaide a piece of land was lately sold at a rate which, for 10-foot frontage, exceeded the price which the Government received some half-century ago for the whole area of that city. The same advance in value is conferred by the same cause upon secondary monopolies. Depending, like land, for their value upon the tribute which they can exact from individual consumers of the goods and services to which they relate, increase of population adds to the number of tributaries which they can exploit, while all progress tends to reduce the cost of producing the goods or services which they render. Their annual net income, and, therefore, their capital value, is thus constantly enhanced by social progress.

The value of all real capital is thus constantly declining, and all of it has only an ephemeral existence, disappearing soon after labour has created it, and depending upon further labour for its recreation. Monopoly-rights, on the contrary, are constantly increasing in value and number and have permanent existence. It follows that what Socialism terms capital consists in every country to by far its largest extent of mere monopoly-rights and to a small extent only of real capital. This is true even of Great Britain, where protective monopolies have been abolished, and is still more true of countries like the United States, Germany, and France, where their baneful influence has been added to that of other and even more far-reaching monopolies. It is, therefore, obvious that the diagnosis of the social malady upon which the doctrines of Socialism are founded is faulty in the highest degree, and that, therefore, the remedy which it proposes cannot be the true remedy. Making no distinction between real and spurious capital, between what is permanent and obviously unjust and injurious, and what is ephemeral and has never been proved to be unjust or injurious, it condemns both alike. By combining, under one denomination, these two widely differing classes of property, socialists obscure the action of both, and have, therefore, been unable to see that the relations between labour and

the owners of real capital are profoundly affected by the existence of these monopoly-rights. That the power which the capitalist possesses over labour is not due to his possession of real capital, but to the weakening of the economic position of labour through the baneful action of monopoly-rights, will be shown in subsequent chapters.