Economics for Workers

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Lesson 1: CAPITAL

THERE are three factors in Wealth Production. These are:

1st.—Land; a passive factor, because it has to be worked by labor before wealth can be produced.

2nd—Capital; is the auxiliary factor because it helps labor to produce more abundantly.

3rd—Labor, is an active factor because it acts and fructifies the earth, or natural resources.

The subject of our lesson is Capital.

The first question that arises is: "What is Capital?" Open any of the capitalist textbooks on economics, used in our educational institutions, and you will learn from them that capital is treated as if it had existed in primitive times. They generally describe the tools of primitive man, e.g., a sharpened stick, a canoe, a spear or his bow and arrow. Such a savage became a capitalist, we are told, because he was endowed with the capitalist virtues of thrift, enterprise and ability. I suppose all the others were a shiftless lot and the proletariat are their descendants.

The Reformation, eliminating so many religious holidays, with their entailing pleasures, gave way to the Puritan tenets of thrift, frugality, industry, temperance, prudence, etc., calculated to immediately further accumulation, although this is now succeeded by indolence, luxury, ostentation, waste, drunkenness, and general demoralization of the capitalist class whose functions are now performed by salaried employees. The economic virtues are as desirable as ever in the working class, since by the practice of such the workers increase the margin of exploitation to which they can be subjected to. Hence, thrift, frugality, industriousness, temperance, along with patience, obedience, respect for law, and contentment, are morals for the slave class. The Chinese workers having all those virtues and with rich natural resources, comprise the outstanding field of exploitation which now the nations represented at the Arms Conference at Washington are so jealous of. They are trying their best to agree how they will exploit China and the Chinese peacefully.

Lafargue tells us: "Capital in the modern sense dates back only to the 18th century." He says: "The Dictionaire de Mots Nouveaux, "published 1802, says, 'Capitalist was a word wellnigh unknown outside of Paris. It designates a monster of wealth. A man who has a heart of iron and has affections, less metallic ones. Talk to him of land tax and he laughs at you, because he has no land to tax. Like the Arabs in the desert who have plundered a caravan, and who bury their gold in fear of other brigands, the capitalists have hidden all our money. "The term capital, although a Latin word, has no equivalent in either the Greek or Latin tongue. The non-existence of the word in two such rich languages is a proof that capitalist property did not exist in ancient times, at least as an economic and social phenomena."

Let us take some illustrations of Capital from some of the economists.

Henry George in "The Science of Political Economy," New York, 1893, conceives of "A savage who finds a fruit tree in full bearing. If he eats all of the fruit, he merely satisfies his present needs. He is just a common savage. If, however, he eats only a part of the fruit and, thinking of the future desires, plants another part of it, or exchanges it with some other savage for other desirable things he is a capitalist." This is some idea of a capitalist, among people that lived in direct contact with nature.

The capitalist has therefore, "forethought." The professor I sat under told us that "Capital was the result of past industry, used to aid the work of future production." He then gave us an illustration of a man living in a summer cottage going to the river every time he was thirsty, to drink, or living by direct acquisition. But by his personally acquired skill he produced a vessel. As pottery was a great step in progress, he saved time going for a drink and he remarked, "this being a labor-saving invention, it was capital." Therefore we see this professor's capitalist was able to build a summer house before he could make pottery.

Unterman, in his "Marxian Economics" tells us of the German economist Rosche, who does not need as much capital as a crude stick. He says: "Imagine a fishing people without private property in land and without capital, who live naked in caves and subsist on sea fish, which, being left behind by the receding tide, in pools, are caught with the bare hands. Let all laborers be equal here, and let each one catch three fish per day and eat them. Now some prudent man reduces his consumption to two fishes per day for 100 days, and then uses up the stored supply of 100 fishes he saved, to devote 50 days to the making of a boat and nets. By the help of this capital he catches from now on thirty fishes per day."

In the first place I would like to know where he would get a market for his thirty fish a day, when the other fellows could get their own fish so easily in the pools with their bare hands.

Unterman says: "You will readily see the absurdity of it, when you think of him storing fish for 100 days, in a climate where people go naked, which would become putrid in a week," and then he asks of the professor ever tried to subsist on two rotten fish per day and build a boat with his bare fists. The only resemblance, he adds, between this capitalist of primitive man and some modern capitalist is Roscher's savage makes capital out of rotten fish, while the modern capitalist makes capital out of rotten beef, shoddy clothing and poisoned groceries. But with this difference—Roscher's capitalist consumes his rotten fish himself, while the modern capitalists are not so crude. They label their goods with fancy names, and sell them to an unsuspecting public at as high a price as possible.

Karl Marx calls them vulgar economists who look upon the savage with the eyes of a 19th century Anglo Saxon. To them the capitalist has existed from the very beginning, and they fail to see the changes in the mode of production which brought forth the capitalist system.

How does Henry George explain, or the others like him the change from the self-supporting savage "capitalist" to the non producing parasitical capitalist of today? They absolutely fail to explain it.

All economists admit that capital is stored up wealth; that wealth is the product of labor. Ricardo says, "Capital is that part of wealth used to produce more wealth." He defines wealth "All articles of use or luxuries that are produced by human labor."

Adam Smith says, "Useful human labor applied to land and raw material creates all wealth and all values."

Now we Socialists say, Capital is not a mere thing; it is fundamentally an economic relationship between an exploited and an exploiting class.

Capital is that part of wealth devoted to the production of more wealth with a view to a profit, a profit obtained as a result of the exploitation of labor.

Our professors don't like that part "with a view to a profit," as I pointed out in our first lesson, dealing with unemployment and over-production.

Monkeys use stones to crack nuts, therefore, by using a tool to produce more wealth a monkey would be a capitalist.

There is a legend that monkeys will not talk because they are afraid of being put to work.

In this respect he resembles the modern capitalist.

Wealth devoted to the production of more wealth has existed for ages and through all forms of society—savagery, barbarism, slavery, serfdom and capitalism, but the character of that wealth has changed. Under feudalism, for example, production was for a local market and local consumption, called production for use, the producer taking his goods to the market himself, to exchange for the things he needed for his own consumption. Goods were exchanged for goods, and money was practically unknown. The demand was known, and over-production could not exist.

Today, production is on a large scale carried on for a world's market and, mainly, exists for exchange. Instead of goods exchanged for goods, it is money for money.

In the development of production we had commodities exchanged for commodities, or C x C. Then, with the introduction of money as a medium of exchange we had commodities exchanging for money, and money exchanged for commodities or, C x M x C. Today we have Money x Commodities x Money, or M x C x M.

The capitalist invests his money, which is converted into capital, not for the purpose of obtaining the necessaries of life, but to obtain a surplus value. The first is production carried on for consumption only, the other is means of exploitation. The problem of the capitalist is to get more surplus value, through greater production, with increased exploitation.

Marx says, "Capital is a social relationship."

Capital is based on the production of commodities in which men produce, not for their own wants or consumption nor that of a feudal lord or slave owning master, but with the view of a market where the capitalists can realize the surplus value exploited from labor.

Land may be capital. Tools may be capital. Articles of consumption and raw materials may be capital. But none of these are capital unless they are stamped with the typical mark of capital. **That mark is that these things must be the means to rob the laborer of the product of his toil.**

Labor and labor power can never be capital in the hands of the laborer. So long as the relationship of capital and labor remain, labor is always the exploited part. It is very convenient for the exploiting class to define capital as wealth used to produce more wealth. So long as they don't tell who produced the wealth and under what conditions it was produced and who get it, that phrase is harmless.

It is equally harmless to tell us that wealth is stored up labor. The dangerous question is, whose labor and stored up for whose benefit and by what means?

Now the things used as capital are not in themselves capital. They may become capital under certain very definite social conditions, under which different economic classes struggle for the control of the product of labor. It is on this rock that we Socialists split with our capitalist economists who conceal the secret of capital by ignoring the main source from which it springs, i.e., the exploitation of the labor of the working class.

This exploitation was put very clearly in a letter to the paper called "American," March 6th, 1920, dealing with government ownership of the U. S. A. railways. A part of the letter says: "The workers paid the cost of the railroads as they were built. . . If the railroads were built by the government there would be no question but that the people paid for them. By looking at the railroads or the Panama Canal one could not determine whether they were built by the government or by private capital. **All economic value is social value.** The costs to the people are the same no matter who dir-