

The Case for Capitalism — The Capitalist Thief

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CHAPTER IV

THE CAPITALIST THIEF

IN [the last chapter](#) we saw that many essentials to production have to be provided under whatever system production is carried on. Among these were raw materials, machinery, equipment of all kinds, a factory and a place to carry the work out, railways, ships, etc., to carry the product to market, the food and subsistence of the workers during the time that elapses between the beginning of production and the sale of the product, and finally provision against the risk that the product when finished may not suit the views of the consumers who are asked to buy it. These essentials are provided by capital. Somebody with money in his pocket buys these things for industry instead of spending it on himself. Thus at first sight he seems fully to earn the interest and profit with which he is rewarded if, and only if, the services that he and his manager render suit the views of the consuming public. It is therefore rather startling to find a considerable school of thought which appears to regard the capitalist as a thief, and the capitalist system as one of organized robbery.

In a book in favour of National Guilds called *Self-Government in Industry*, on page 235, Mr. [G. D. H. Cole](#) remarks: "To do good work for a capitalist employer is merely, if we view the situation rationally, to help a thief to

steal more successfully." Other Guild champions are equally explicit. Messrs. Reckitt and Bechhofer in *The Meaning of National Guilds* allude to the "felony of Capitalism" as if it were a self-evident truism.

Mr. Cole is no street-corner spouter, but a cultured and highly-educated writer, and some time a Fellow of Magdalen College, Oxford. When such a man calmly assumes without attempting to argue the point that the capitalist is a thief, it is inevitable that many honest people who live on the interest of capital, without dreaming that they are doing anything wicked or dishonest, should feel themselves pulled up short by the question—Are we really thieves and parasites living on the labour of society without any right to the enjoyment of goods which we are consuming, and, if so, what ought we to do? Let us look into this question.

Capital is usually described by economists as wealth devoted to production, that is to say, it consists of goods which are used not for immediate consumption, but in order to increase the productive power of the community and to earn interest or profit for those who own the capital. If a man earning £1,000 a year puts the whole of it into providing himself with comforts and luxuries which his income enables him to enjoy, he does not increase his own capital, or the productive power of the community. If he puts aside £200 or £4300 a year and invests it in industry, it means to say that his wealth, instead of being immediately

consumed in the form of the pleasures of foreign travel, or the possession of a motor-car, or a billiard-room, or a lawn tennis court, contributes to the erection of a factory, or the opening up of a piece of land, or of the building of a railway or of a ship, so that the productive power of mankind is increased, or transport facilities are made cheaper and better. The production to which this saved wealth is thus applied is expected to yield a revenue to those who employ it, and usually does so. If it did not, people would obviously leave off this application of wealth to the furtherance of industry. But when there is a failure in production owing to some mishap by which the product has not turned out right, or does not suit the view of the consumers, the capital is lost and its owner receives no reward in the form of interest or profit.

Nowadays, though a certain amount of capital is invested by its owners in businesses which they themselves conduct, the more usual channels in which capital is placed are investments in land or in the securities of Governments and Municipalities or of Joint Stock Companies formed to carry on some enterprise. The income received by the capitalist consists of rent when the capital is placed in land, and of interest and dividends when it is placed in securities of Public Bodies or of Companies. The question then which we have to consider is this: Is the rent and interest received by capitalists from their investment in land and securities a form of robbery by which they plunder the community?

Let us take the question of rent first, though I hope to show that the difference between rent and interest is one of degree and not of essence—they are merely different forms of payment to the owners of property for the use of it by those who need it. With regard to rent, an interesting and incisive attack on it by Mr. [Bernard Shaw](#) is to be found in the first chapter of the Fabian Essays on Socialism.

"Let us," he says, "in the manner of the political economist, trace the effects of settling a country by private property with undisturbed law and order. Figure to yourself the vast green plain of a country virgin to the spade, awaiting the advent of man. Imagine then the arrival of the first colonist, the original Adam, developed by centuries of civilization into an Adam Smith, prospecting for a suitable patch of Private Property. Adam is, as Political Economy fundamentally assumes him to be, 'on the make:' therefore he drives his spade into, and sets up his stockade around, the most fertile and favourably-situated patch he can find. . . . Other Adams come, all on the make, and therefore all sure to pre-empt patches as near as may be to the first Adam's, partly because he has chosen the best situation, partly for the pleasure of his society and conversation, and partly because where two men are assembled together there is a two-man power that is far more than double one-man power. . . . These Adams, too, bring their Cains and Abels, who do not murder one another, but merely pre-empt adjacent patches," and so as the process of occupation goes on, and as new-comers still pour into the land, "there is

nothing for the new-comer to pre-empt save soil of the second quality. Again, division of labour sets in amongst Adam's neighbours; and with it, of course, comes the establishment of a market for the exchange of the products of their divided labour. Now it is not well to be far afield from that market, because distance from it involves cost for roads, beasts of burden, time. . . . All this will be saved to Adam at the centre, and incurred by the new-comer at the margin," and so Mr. Shaw estimates the annual value of Adam's produce at £1,000, while the annual produce of the new-comer on the margin is £500, with equal industry on the part of Adam and the new-comers, so here is a clear advantage of £500 a year to the first corner, which is economic rent. "The two men labour equally, and yet one gets £500 a year more than the other through the superior fertility of his land and convenience of its situation. . . . Why should not Adam let his patch to the new-comer at rent of £500 a year? Since the produce will be £1,000, the new-comer will have £500 left for himself, or as much as he can obtain by cultivating a patch of his own at the margin; and it is pleasanter, besides, to be in the centre of society than on the outskirts of it. The new-comer will himself propose the arrangement; and Adam may retire as an idle landlord with a perpetual pension of £500 rent. The excess of fertility in Adam's land is thenceforth recognized as rent, and paid, as it is to-day, regularly by a worker to a drone."

Mr. Shaw proceeds to a further development as inhabitants pour into the country until the outermost belt of free land is

reached, upon which the yield to a man's year's labour is only £100. "Clearly now the rent of Adam's primeval patch has risen to £900, since that is the excess of its produce over what is by this time all that is to be had rent-free. But Adam has yielded up his land for £500 a year to a tenant. It is this tenant accordingly who now lets Adam's patch for £900 a year to the new-comer, who, of course, loses nothing by the bargain, since it leaves him the £100 a year with which he must be content, anyhow. Accordingly he labours on Adam's land; raises £1,000 a year from it; keeps £100 and pays £900 to Adam's tenant, who pays £500 to Adam, keeping £400 for himself, and thus also becoming an idle gentleman, though with a somewhat smaller income than the man of older family. It has, in fact, come to this, that the private property in Adam's land is divided between three men, the first doing none of the work and getting half the produce; the second doing none of the work and getting two-fifths of the produce, and the third doing all the work and getting only one-tenth of the produce." And then, later, when the land is all filled up, there comes in a still further supply of new-comers, "a man in a strange plight—one who wanders from snow-line to sea-coast in search of land, and finds nothing that is not the property of some one else . . . the first disinherited son of Adam, . . . who is himself for the moment foodless, homeless, shiftless, superfluous and everything that turns a man into a tramp or a thrall. Yet he is . . . able to deal puissantly with land, if only he could get access to it. . . . What if the proletarian can contrive—invent—anticipate a new want—turn the land to some hitherto

undreamt—of use—wrest £1,000 a year from the soil and site that only yielded £1,000 before? If he can do this, he can pay the full £1,000 rent and have an income of £500 left for himself. This is his profit—the rent of his ability—the excess of its produce over that of ordinary stupidity."

But there also come other proletarians who are no cleverer than other men, who do as much but not more than they. In the meantime, owing to division of labour, the use of tools and money and the economies of civilization, man's power of extracting wealth from Nature is greatly increased, so that the produce of land on the margin of cultivation may rise considerably; if we suppose the yield to have doubled, then the proletarian who is not clever "can very well offer to cultivate the land, subject to a payment of, for instance, £1,600 a year, leaving himself £400 a year. This will enable the last holder of the tenant right to retire as an idle gentleman, receiving a net income of £700 a year, and a gross income of £1,600, out of which he pays £900 a year rent to a landlord, who again pays to the head landlord £500."

This picture, so brilliantly drawn by Mr. Shaw, is, of course, largely fanciful. In the first place, he begins by assuming, as quoted above, a country with undisturbed law and order, and a vast green plain virgin to the spade waiting the advent of man. But in fact countries are very seldom found under these comfortable conditions. They are much more likely to be found in the possession of savage owners who very

strongly object to the presence of the gentleman who comes in with a spade and proposes to till them. They are also very likely to be tenanted by more or less unpleasant wild beasts, snakes and other such fauna, while they are also likely to be encumbered with thick forests which have to be cleared before tillage is possible. Such are the dangers which the original pioneer has, as a matter of fact, in most cases to face; but even if we follow Mr. Shaw's example, and leave all these unpleasantnesses out of account, the fact remains that the Adam who settles down on the best patch in the country is the pioneer who leads the way into the wilderness, forsaking the pleasant companionship of man. In Mr. Shaw's example, his arrival is followed by a large number of other people who very quickly cure this defect in his surroundings, but this by no means always happens, and it is quite possible that the original pioneer is either killed with or without torture by the natives who resent his intrusion, or is eaten by wild beasts, or, after years of struggle with the natural difficulties of his position, dies of starvation owing to the failure of his crops. If, on the contrary, things turn out as Mr. Shaw describes them, the fortunate prospector who has by a stroke of luck, which is probably rare in actual life, found the very best piece of land in the country for his original occupation, reaps a reward from his judgment and the success with which he has overcome natural difficulties and the sacrifices which he has made in facing the dangers and hardship of life in the wilderness, far from the pleasant companionship of his fellows. That Mr. Shaw's figures are based rather on his

imagination than on the facts which usually rule in a work-a-day world is a minor detail. It does not often, I imagine, happen that a tenant who is making £100 of actual profit, is paying an annual rent of £900. Enough has been said to show that, even if all were as Mr. Shaw has described it, the owner of the fortunately-situated central patch has done something to earn the rent which he derives from it, and so can hardly be classed as a parasite feeding on society, and giving nothing in return for the goods which he enjoys. And those who came after him and shared his fortune were also pioneers and adventurers who made a sacrifice and took a risk. If such men must be dubbed thieves, thieves are people who are wanted. A year or two of pioneering in a wilderness might alter Mr. Shaw's view surprisingly.

Mr. [Ramsay Macdonald](#) in his very interesting little book on *The Socialistic Movement*, one of the volumes of the Home University Library, gives another version of this criticism of rent as a charge on industry. On page 56, "Income from land," he says, "is not of the nature of reward for services rendered. It used to be. Land was granted by the sovereign to his captains who, in return for their possessions, rendered military service to the state, and in addition paid certain taxes, so as to provide the king—who was the embodiment of the state—with what income he required." On page 159 he says that "the type of unearned income is rent. The Socialist therefore propose to tax it, and when he is told that by doing so he is differentiating one kind of property from another, he replies that this is so, the

reason being that land is differentiated from every other kind of property by its own nature. The aim of this tax is to secure the economic rent for the state, because it is the state that creates the value which economic rent represents." This is the argument on which those depend who draw this difference between rent and interest, rent being in their opinion a profit which is made by the State, and ought to belong to the State, while interest may or may not have something to be said for it. Their argument, if I understand it right, is this, that rent being the difference in productive power between one piece of land and another, is not due to any exertions of the owner of it, apart of course from any improvements which the owner may have made, in which case they acknowledge that he is entitled to interest on the capital which he has put into it. Otherwise it is simply a gift of nature in the greater fertility of the soil, or a gift from the community which has made the land valuable by crowding in to want to live upon it, or by establishing markets in its neighbourhood, so that its produce is more cheaply and profitably sold. In other words, rent is a present that is put into the pocket of the landowner, by the needs of the community, and so is socially created.

But is it not true that nearly all wealth, including even the wages of labour, is more or less socially created, and is not this distinctive attribute of the rent of land in fact shared by most of the payments which any community makes to its members? It may be quite true that certain lucky landlords have had untold wealth heaped upon them by being

fortunate possessors of pieces of ground in London and Manhattan Island. In other words, they have grown rich because there was a community which wanted to enjoy and make use of a certain article of which they were possessed. But is not this also true in a greater or less degree of all of us who receive payments from our fellows in respect of work that we do, or property that we own? Owners of railways would certainly have built them in vain if there had not been a community to travel on them and to send goods over them. The barrister with a huge practice would not be able to earn his £20,000 a year if there were not a crowd of litigants with money to spend on the expensive luxury of justice. The journalist can only earn money from his pen if society has provided him with readers sufficiently educated to enjoy his views on current events. Even Mr. [Charlie Chaplin](#) would smile in vain on a desert island. The wage-earner only gets his wages because there are employers who set him to work and consumers to absorb the product which his labour helps to produce.

Any of us who criticizes any one else for the enjoyment of socially created wealth may easily cure himself of the vice of envy by wondering how much of the good things of the earth he could have himself enjoyed if he had been put down by himself in a wilderness, with no society to create wealth for him. Nearly all wealth is in fact more or less socially created, just as it may also be said that most forms of human society are to a great extent created by wealth or the desire to possess wealth. It is in fact, as has been

pointed out by [Locke](#) in his *Essay on Civilization*, for the purpose of the mutual protection of their lives and property that men originally formed themselves into civilized societies.^[1]

Moreover, it will be noted that Mr. Macdonald in his analysis of the origin of rent, which seems to be much closer to the actual facts of the case than the sketch produced by Mr. Shaw's brilliant imagination, shows that rent was originally earned by captains who were settled upon the land in return for military services. According to him therefore the original owners of land received it in return for services rendered in the course of military occupation. Modern opinion in its revolt against views which we now stigmatize as Prussianism or militarism may argue that this would not now be regarded as an equitable basis of possession. But we have no right to throw back our modern views and expect people many centuries ago to act in accordance with them. If it can be shown that those who originally acquired property did so by carrying out what was then considered to be the business and duty of a public-spirited man, then they surely earned their reward according to the views which were then current. It may be argued that when feudal tenure ceased and armies were raised by different methods, those who had held the land as a reward for military service ought to have been made to surrender it or pay rent for it to the State. But in fact all these arguments and imaginings about the origin of various forms of property, in the ages when the world was first being settled,

or conquered by invading hordes who seized the property of its inhabitants, are to a great extent irrelevant.

If land were still in the hands of the descendants of the original pioneers, or, in the case of England, of the descendants of the Norman captains among whom William the Conqueror parcelled out the land, it might then possibly be worth while to enquire, in the light of equity, into the title-deeds of these gentlemen. But we know that much of this property has changed hands since they got it and is now in the hands of people who have invested the proceeds of their labour in it, and is in fact an ordinary investment, very difficult to distinguish from an investment in Government securities or those of industrial Companies. Even in the case of the great slices of English territory, granted by King Charles the Second to the mistresses who amused his leisure, it has to be remembered that these fascinating ladies rendered a service in their time of a kind which, according to views current in those days, entitled them to any reward that the caprices of the monarch chose to shower upon them.

In all times, and still at the present, the ignorance and vice of the community, or of those members of it who happen to control claims to its wealth, have showered and continue to shower wealth upon totally unworthy objects. This is a disease which can only be cured by the education of the community to make more judicious use of its power to decide, by the choice which it exercises in consumption, as

to whom it shall enrich. We cannot now go back and say that because society in the Middle Ages or at the time of the Restoration gave wealth to the wrong people, we should now take it away again from their representatives, most of whom have paid for it with money earned by services rendered. But it most certainly is our business and duty to see that we do not now put riches into the hands of those who pander to our ignorance and vice. Are we putting much successful energy into this duty?

There is perhaps some difference in the power which investors in land have to charge others for the use of it as compared with that of other forms of property from which interest and profit are earned. Competition is less free and multiplication is less possible, though as the rural landowners of England found to their cost in the latter half of the nineteenth century, the development of transport, by bringing far-away wildernesses within reach for farming purposes, has extended the competing area enormously and will do so in future to an extent, perhaps, that we cannot yet imagine. Even urban land is not quite a monopoly. Owners of sites in Mayfair may seem to be able to dictate their own terms, but there is a point at which the community will refuse to pay their price and go to other abodes. Mr. Ramsay Macdonald, in the book already quoted (page 58), says that the owner of land is "in the position of a man who holds the keys of life, and he consequently can exact a maximum toll as his price. He does so." Does he, under modern conditions, hold the keys of life any more than, for

example, the coal-miner? Does not competition in each case, when it is allowed to work, come to the rescue of the consumer or tenant? If all the land were owned by one owner he might be able to exact the maximum toll. But it is not so, and competition between its owners gives a chance to those who want to hire it. And yet at the bottom of the matter the fact that land was made by nature, while all other forms of property owe something to man's effort in their production and use, makes the receivers of rent especially liable to attack when the rights of property are in question. Rent that is derived from work put into the land is of course indistinguishable from ordinary interest on capital. But when it is paid just because a site is thought to be especially desirable by the community, or because somebody else has built a railway through it or near it, the case for special taxation of the increment is strong; though that increment differs only in degree from the windfalls which are given, for example, to owners of stocks of black dress materials when the Court suddenly and hurriedly goes into mourning.

If, then, even the capitalist who takes his income in the form of rent has a good deal to say for himself before he pleads guilty to the charge of robbing the community, the capitalist who earns interest and profit on other forms of investment has a still stronger case.

"Incomes," says Mr. Ramsay Macdonald (page 61), "derived from invested capital are not so easy to classify. The Ricardian dictum that all wealth is created by labour is

not exactly true. It carries one much further than the statement which is true—that no wealth can be created without the service of labour. But there is much wealth which labour cannot create without the aid of capital. A man can go into the forest and tear boughs off trees with his hands for his fires, but he cannot fell trees without an axe of some kind, which is capital. Capital, therefore, has its value, a simple fact which means that under the freest economic conditions, interest will be paid. It may be interest of 5 per cent., it may be of a tenth per cent., but the utility of capital in production will always have an appreciable value which the labourer who uses it will pay without suffering exploitation or injustice. Interest is therefore not of the nature of a monopoly toll. It is a payment for service rendered. This we may call pure interest. Risk may determine its amount, but no consideration but this can justify its existence."

Thus the troubled capitalist who is wondering whether he is really a thief will be relieved to find that he is acquitted by Mr. Ramsay Macdonald, a keen and uncompromising Socialist, of the charge made against him by Mr. Cole and the other Guildsmen. On the other hand, he is apparently condemned by Mr. Bernard Shaw in the chapter quoted above from the Fabian Essays. "If," he says, "a railway is required, all that is necessary is to provide subsistence for a sufficient number of labourers to construct it. If, for example, the railway requires the labour of a thousand men for five years, the cost to the proprietors of the site is the

subsistence of one thousand men for five years. This subsistence is technically called capital. It is provided for by the proprietors not consuming the whole excess over wages of the produce of the labour of their other wage-workers, but setting aside enough for the subsistence of the railway makers. In this way capital can claim to be the result of saving, or, as one ingenious apologist neatly put it, the reward of abstinence—a gleam of humour which still enlivens treatises on capital. The savers, it need hardly be said, are those who have more money than they want to spend; the abstainers are those who have less. At the end of five years the completed railway is the property of the capitalists, and the railway makers fall back into the labour market as helpless as they were before. . . . Colloquially, one property with a farm on it is said to be land yielding rent; whilst another, with a railway on it, is called capital yielding interest. But economically there is no distinction between them when they once become sources of revenue. This would be quite clearly seen if costly enterprises like a railway could be undertaken by a single landlord on his own land out of his own surplus wealth. It is the necessity of combining a number of possessors of surplus wealth . . . that modifies the terminology and external aspect of the exploitation. But the modification is not an alteration; shareholder and landlord live alike on the produce extracted from their property by the labour of the proletariat."

Again, a variation on the same theme was produced by [Ruskin](#) in *Fors Clavigera*, when he quotes, in the first letter,

an example given in a Cambridge Manual of Political Economy of a carpenter called James who made himself a plane, so as to be able to earn more from his customers, but was then persuaded by a friend, William, to lend the plane to him for a year. William promised to give James at the end of the year a new plane exactly like the old one (for the rather surprising reason that the plane was certain to be worn out in the year), also a new plank as a compensation for the advantages of which James was to be deprived, by lending the plane instead of using it in his own business. "The plane," says Ruskin, "is the symbol of all capital, and the plank is the symbol of all interest. . . . James makes a plane, lends it to William on 1st January for a year. William gives him a plank for the loan of it, wears it out, and makes another for James, which he gives him on 31st December. On 1st January he again borrows the new one; and the arrangement is repeated continuously." This arrangement he holds up to scorn as being entirely unfair to William.

How will the ordinary capitalist feel after all this dose of condemnation? His withers will probably be unwrung. He will see that in Mr. Bernard Shaw's example the people who paid workers to build a railway, to that extent refrained from frivolous and luxurious spending, and created a means of transport which was or was not of benefit to the community. If it was not, the community would not travel on it and they would lose their money. If it was, they were entitled to remuneration for the service that they provided. The "labour of the proletariat," as Mr. Shaw calls it, built

the railway, under the direction which the capitalists provided or paid for, in return for the pay which the capitalists put into their hands. Were they thereby "exploited"? And would the manual workers have been as well off as they are, if no capitalists had equipped the world with railways and machinery?

As to Ruskin's example, the capitalist will see that the lender of the plane did the borrower a service by lending him a tool which would help him in his work, and was fully entitled to a reward in the shape of a plank and the return of his plane or its replacement by a new one if it had been worn out. Did Ruskin mean that he should have given the plane, which he had made to help his own work, to the borrower who wanted it to help his? If we are all to give everything to everybody else, it will be a very nice and altruistic state of affairs, but will it not lead to industrial chaos rather than progress? Moreover, if the uncomfortable capitalist pursues his study of *Fors Clavigera* he will find on a later page that a logical but not too tactful correspondent wrote and asked Ruskin how, with his views on capital, he justified his own action in living on money left by his father, and that Ruskin's reply was most unconvincing and irrelevant. And naturally, for though the capitalist who is such by reason of his own work and saving can laugh at those who call him a thief, the inheritor of the results of his effort is not in nearly such a strong position. He knows that he did not steal his immunity from the economic problem that faces most of us, of working or else

suffering penury, because it was given or left to him by some one who earned it. But he may well ask himself whether it is equitable that such a great advantage, involving such a great handicap to others, should be handed on from one generation to another. He will appease himself probably with the reflection that if property could not be passed on a great incentive to production and progress would be lost. If the venturers and organizers could not hand on their property to their heirs most of them would, possibly and even probably, give less time and energy to enterprise, and there would be a clog on the wheel of the industrial chariot. But on this subject there has in the last few years been a great change in opinion, and I lately heard that a distinguished American banker had expressed a doubt as to whether he would be wise to leave his children with more than \$5,000 a year—a quite moderate income from an American point of view in these days. In any case, the inheritor may also remember that the State shows an increasing tendency to take toll on estates passing at death, and, in this country, now seizes no less than 40 per cent. of the largest properties when their owner dies. As long as it does not check enterprise and the accumulation of capital this determination of the State seems to be both equitable and expedient, and to be in the interest even of those who seem to suffer by it, but actually are thereby, and to that extent, compelled to justify their existence by their own efforts and saved from a possible life of idle boredom.

So far, then, from the capitalist being a thief, he seems to render, or represent some one who has rendered, a service to the community without which economic progress would be impossible. In fact we may say that any one who is able to be a capitalist, by spending something on the equipment of industry, and fails to do so, checks the clock of material progress. If we are going to throw ugly words like "thief" about, we should with more justice throw them at the self-indulgent spender than at the capitalist who leaves the world richer and better equipped than he found it.

1. ↑ Cf. [Plato](#), *Republic*, Book II, "A State arises out of the needs of mankind; no one is self-sufficing, but all of us have many wants."—([Jowett's translation](#).)

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