



# Good-bye to Capitalism?

....It takes into account the many right and wrong arguments that impel the mind of the contemporary University Student in India. It is the talk of a Student to his fellow Students and University men will, I hope, avail themselves of this effort.

—Dr. Ram Manohar Lohia

By  
A University Medalist.



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## INTRODUCTION.

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Intelligent concern with the existing and the on-coming social order has of late been growing in our country. We are beginning to understand the more fundamental features of the capitalist and the imperialist system that dominates us and, in fact, practically the whole world. We have also learned to trace our poverty in body and mind to its basic sources. There is, at the same time, talk about our future social order and many social patterns are being advocated to suit our fancies. One of these patterns will inevitably become the governing base of society, adjust I hope, in the very near future and it is therefore the task of intelligent men to study these patterns.

Ideas move very fast but they also move very slowly and they have a peculiar tendency of mixing themselves up. So in regard to Capitalism and Socialism and other social orders and doctrines, there they do not keep straight. In a hundred tortuous ways, these ideas confuse men's minds and even manage to blur the outlines of the objects that they seek to represent. And then there are deliberate misrepresentations.

It is a happy sign that University students are trying to fix the outlines and to figure out for themselves as to what is capitalism and what is socialism. In the process of such attempts at description, many arguments are raised, fallacies exposed and unity is discovered. "Good-bye to Capitalism" is such an attempt at description by a University student. The value of this phamplet consists in the fact that it takes into account the many right and wrong arguments and impel the mind of the contemporary University student in India. It is the talk of a student to his fellow-students and University men will, I hope, avail themselves of this effort.

Allahabad }  
14 Nov. 1938. }

RAM MANOHAR LOHIA.

## PREFACE.

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THIS booklet is neither personal, nor original, nor propagandist. It simply aims at stating in clear and simple words the *Socialists' estimate* of the capitalistic society. Leading writers have been quoted to give weight of their authority to the exposition attempted.

This booklet does not give a final answer to the question under which it appears. It simply shows why *Socialist* think that capitalism must be done away with.

AUTHOR

## CHAPTER I

### ANALYSIS OF CAPITALISM.

We are living to-day in a state of great chaos and terrible misery. General unemployment, and the inestimable indigence of toiling millions who seem to be condemned for good to be hewers of wood and drawers of water, without hope and without help, on the one hand, and the parasitic existence of a few wealthy idles who have enough and to spare, to whom the very exuberance of affluence is a curse, on the other, have set all the great men of the world thinking as to where the world is going? What is, after all, wrong with the present system of social organization? And what effective remedy can cure the society of the present ills? Many different answers have been given to these questions. Some people feel that all that

is necessary to get rid of the present evils is to modify and alter the present social organization only here and there. But others have become so much annoyed by the atrocities of modern social system and so much impressed by its inability to remove the present evils, which are said to be inherent in the system itself, that, to them, nothing short of the eradication, root and branch, of the present social system, can bring about any satisfactory results. Of the latter group, socialists are the most vocal and powerful and are progressively converting more and more people to their belief. We shall, therefore, follow in these pages the socialists' line of thought.

Our first task shall be to understand the most characteristic features of the present system of social organization.

### **MEANING OF CAPITALISM**

Our present system of social organization is designated by the term 'Capitalism'. All of us very often hear and talk about 'capital' and 'capitalism'. Let us, therefore, understand, clearly and accurately, what these words really mean.

The meaning of the word 'capitalism' is generally very well understood. If one of our friends starts a shop and invests Rs 1,000/- in it, we say that Rs 1,000/- is his capital. Economists, therefore, define capital as consisting of all kinds of wealth which are expected to yield an income. Various instruments of production, like machinery, factories etc., yield profit to capitalists and, therefore, are 'capital'.

The word "capitalism" is not used to mean the instruments of production or capital. On the other hand, it implies a system of social organization in which the society is split up into two broad classes: the one class possessing the means of production, called capitalist class, and the other class consisting of persons who do not possess any means of production except labour-power, to sell which they are legally free. This class is called the proletarian class. Often for the production of wealth, both capital and labour are necessary. There must be means of production and also some persons to use



them for productive purposes. Hence, under capitalism, co-operation of the capitalist and the proletariat becomes indispensable for carrying on production. "The personally free possessors of labour-power and the free possessors of accumulated productive resources confront each other as two distinct and opposite economic classes, one of which must employ the other before production can take place" ' What usually happens is that capitalists employ labourers and therefore capitalists are called employers and labourers employees. Clearly enough, labourers can not employ capitalists because the former are extremely poor and very often uneducated. Hence they do not possess the capacity to organise production themselves unless, perhaps, they co-operate on a large scale and organize themselves into unions, which is not an easy task. In fact, a situation when labourers employ capitalists is wanting in practice.

The present system of our social organization is "capitalism." Bernard Shaw,

however, would, very aptly, like to call the present system of social organization Proletarianism and not capitalism. He says: "The word capitalism is misleading. The proper name of our system is proletarianism" !

This remark is justified because the term capitalism has been often misused to decry socialism. "Socialism" is used as an anti-thesis of capitalism, and when we say that socialists want to shatter capitalism into bits, "it sets people thinking that socialists want to destroy *capital*, and believe that they, could do without it", " which is obviously absurd. We can not do away with capital. If we eliminate capital as a factor of production, there remain only two important factors: labour and natural resources (excluding organization). But with these alone man can not progress very far. The need for capital makes itself felt at a very early stage of

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1. Bernard shaw : *The Intelligent woman's Guide*, P. 108 (Pelican).

2. Bernard Shaw: *The Intelligent woman's Guide*, Page 108 (Pelican).

human civilization. Thus a primitive fisherman soon realizes that with the aid of a net and stick he can greatly increase his catch. And as society progresses, the dependance on, and use of, capital also increases. As such, what socialists aim at is to destroy, not capital, but *capitalism*, which is tantamount to poverty and proletarianism.

In fact, capitalists and their supporters have found this confusion very helpful in enlisting the sympathies of general public in favour of capitalism. They say that socialists want to destroy capital and to make all the people proletarian; and as most of us would not like to become proletarian, we begin to support capitalism. But in fact socialism aims at destroying proletarianism, and at accumulating capital on a very vast scale. The present organization of society, the proletarianism, is to be smashed into atoms, and on the ruins is to be evolved a classless society in which nobody is proletariat, nobody is capitalist, but all are

**2. GROWTH OF CAPITALISM.**

The essential feature of capitalism, thus we have seen, is a divorce of the ownership of means of production from the ownership of the labour-power. During the Middle Ages, this was not the case. It became a characteristic feature of the social organization only after the Industrial Revolution which covered roughly a century, from 1750-1850. Thus Industrial Revolution was a transitional phase in which the fundamental social structure underwent a change. Before the Industrial Revolution, agriculturists owned their land and craftsmen possessed instruments of production as existed at that time. But afterwards agriculturists and craftsmen were disembarrassed of their means of production, in two ways <sup>1</sup>. One was rather a crude way according to which the means of production were frankly taken away from their owners. This, of course, was the old method. The Enclosure Movement of England is a case in point.

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<sup>1</sup> John Strachey, *The Coming Struggle for Power*, Chapter 2.

When feudalism began to decline, the land held by English peasants individually and in common was taken away from them by a new class of agricultural entrepreneurs. But the second method was a bit more decent, though equally disastrous. The Industrial Revolution was responsible for bringing about many far-reaching inventions and great technical advancements. Large factories were established which began to produce goods in huge quantities and at small cost. The cost of production of the goods produced by small producers was naturally higher than that of the goods produced by large factories. This wrote the death sentence of small scale production. Individual producers were driven out of the market and became ordinary labourers. Thus society was divided into two classes—the capitalists and the labourers.

The orthodox economists, of the school of Mill and Ricardo, believed that capitalistic system was something ordained by God and they chiefly analyzed the peculiar phenomena incident to it. But socialists

asserted, and assert, that capitalism, in its present form, is a comparatively modern phenomenon, owing its origin historically to the dissolution of the feudal system, and not having entered on its adolescence, or even on its independent childhood, till a time which may be roughly indicated as the middle of the 18th century. The immediate causes of its then accelerated development were, as the socialists insist, the rapid invention of new kinds of machinery, and more especially that of steam as a motive power, which together inaugurated a revolution in the methods of production generally. Production on a small scale gave way to production on a large one. The independent weavers, for example, each with his own loom, were wholly unable to compete with the mechanism of the new factory ; their looms, by being superseded, were virtually taken away from them ; and these men, formerly their own masters, working with their own implements, and living by the sale of their own individual products, were compelled to pass under the

sway of a novel class, the capitalists ; to work with implements owned by the capitalists, not themselves ; and to live by the wages of their labour, not by their sale of the products of it. <sup>1</sup>

Capitalism was first organized in England ; and from there it started forth to other parts of the world, gaining victory over the older system and sending the vanquished to the oblivion.

Some writers have tried to give a definite date to the origin of capitalism. Thus it is said to have taken birth about the date of the establishment of the Bank of England, *i.e.* 1694. Other writers have similarly connected its growth with the religious wars of the 16th century. But no definite date can be given to the growth of a system. It is not born like a child but is a plant of slow growth. Only this much can be said that capitalism was a product of Industriel Revolution.

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<sup>1</sup> W. H. Mallock, *A critical Examination of socialism*, Pp 2—3.

### 3. POPULATIONAL CONSTRUCTION OF CAPITALIST SOCIETY.

There are, as said above two dominant classes in a capitalist society—the capitalist class and the labour class. These two classes have been named by Karl Marx in the *Communist Manifesto* as *bourgeoisie* and *proletariat*. Other classes may exist here and there, but they can be safely neglected.

Bourgeoisie is a class which lives mostly by the receipt of profit, interest and rent. In other words, it is a class of owners of means of production. The proletariat, on the other hand, is a class of persons without any instrument of production, possessing only labour-power which they sell to the bourgeoisie class.

There is, however, a third class also, which is called the *petite bourgeoisie class*. It consists of small craftsmen, independant artisans, small farmers and traders. Marx omitted this class in the *Communist Manifesto* but it was a later formulation of his doctrine. This class



favours small scale production. It does not want to favour capitalism which essentially means low scale production. It does not want to favour capitalism which essentially means large scale production and a death blow to small scale production. But it also does not like to be proletarianized. Thus it is always shifting grounds. "In a serious crisis while it may begin by siding with the proletariat against the bourgeoisie, it will always change sides as soon as the anti-bourgeoisie movement threatens to develop into a fundamental attack upon the capitalist system."

Marx and Engels thought that the petite bourgeoisie was a decaying class.

This, of course, was true of their time. But the succeeding events have taken a different turn and the petite bourgeoisie class has achieved a new political and economic importance. It is the new petite bourgeoisie class which is in the main responsible for the attempts to reinstate capitalism in Germany and Italy under the name of Fascism. But Fascism is said

to be the last phase of the decaying capitalism. It may delay the approach of socialism but it cannot make it impossible. That socialism is bound to come, it is said, is as sure as next day's sunrise.

#### **4. THE BASIS OF CAPITALISM.**

Exploitation of labourers is an inherent feature and the very basis of capitalism. Without the exploitation of labour, capitalism would wither in a day.

Socialists maintain that capitalists have monopolized the means of production; and to put them into productive activity, they employ labourers. These labourers, through their efforts and toil, produce a certain amount of wealth. Now what producers do is to give to the labourers only a small part of this product and to keep the rest to themselves. Thus through the exploitation of labour, capitalists are growing fatter and more wealthy. In this way capitalism "has created a great difference in the amount of wealth owned by different individuals, has created on the

one hand a class of rich men who do nothing than merely 'reap where they have not sown, and 'live a life of ease and idleness', and a class of men, who 'live on the sweat of their brow' and toil from day to night on the other. All that latter get in return is a week's wage which is hardly enough to support them and their family. Even that becomes impossible in slack seasons and in times of crisis when the labourers are thrown out of employment and made to 'walk the streets or sit at home'."

According to Marx's presentation of the issue, labourers agree to work for so many hours a day. In a few hours only, they create enough value for the payment of their wages. This time is called by Marx the "necessary labour time." For the rest of the time, they have also to work and the product of this time is appropriated by the capitalists. This latter product or value is called the "surplus value" and the time the "surplus labour time." The amount of "surplus value" is the degree of exploitation. "Profits, interests, middle

men's commissions, all these come from the same common fund: the fund created by the surplus wealth appropriated by manufacturers and those who possess a monopoly in the means of production.....The whole game of capitalist business consists in the attempt of the various parts of it to appropriate as large a share of the surplus wealth as possible. Herein lies the secret of all capitalist competition and all the subtle and complicated business practices that are so laboriously taught in the universities !" <sup>1</sup> In the words of the Communist Manifesto, the greatest offence of the bourgeoisie is the "exploitation, open, unashamed, direct and brutal".

The degree of exploitation is increasing as capitalism is progressing on the road of time, because an essential feature of capitalism is its competitive character. In a capitalist society, there are many producers all of whom attempt to capture the markets and make profits. To be successful in this competitive struggle, it is essential that the selling price of one's

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1. Jayaprakash Narain, *why socialism ?*, P. 15.

goods should be lower than that of one's competitors. To keep the selling price low, cost of production has to be kept down and this is achieved mainly by reducing wages. Reduction in wages, generally speaking, is not brought about directly but indirectly, through making labourers work more intensively during the given time, which means, through greater intensity of labour. It is also achieved by introducing many technical advances. Improved methods increase the amount of goods produced during a given period. In other words, there is greater "productivity," of labour. The greater productivity and intensity of labour increase the value produced during a given time. For example, if the value produced at first was five units, it subsequently becomes hundred units, after attempts have been made to increase the value produced. Suppose previously two-fifths of the value produced went to the labourers and three-fifths to the capitalists; it means that twenty units of value were given as wages and thirty units remained with the capitalists. In the second case

hundred units of value are produced. Of these hundred units, only twenty are paid as wages and eighty go to capitalists. Even if the wages are increased as a result of agitation on the part of the labourers, they are increased only by paltry amounts, as for example, they may become twenty-one units of value or twenty-two units. Thus the surplus value (that is, the difference between total value produced and the wages) in the former case was  $50 - 20 = 30$  units. In the latter case it is  $100 - 22 = 78$  units. Thus the degree of exploitation has increased though wages have also been raised.

It is the perception of this shameless robbery which makes Carlyle, in a mood of bitter sarcasm, put in the mouth of a typical Lancashire manufacturer, Plugson, the following words of address to his labourers : "Noble spinners! *We* have gained a hundred thousand pounds, which is *mine*; the three and six pence daily was *yours*. Adieu, drink my health with this groat (a four-pence piece) each, which I give you over and above !"

As capitalist society marches on, great improvements in the methods of production are brought about, labourers produce more and more value, but they get a decreasing share of the total value produced and thus the exploitation goes on increasing.

This shows that the popular allegation that capitalism has lowered the standard of living of the proletariat is not correct. In fact, the growth of capitalism has been accompanied by a real advance in working class standard of life. What has increased in the exploitation of the labourers. "The conception of exploitation is relative to the discrepancy between the standard actually achieved and the standard attainable at any particular stage in the development of the powers of production. The labourer lives absolutely much better but still more exploited. For exploitation is to be measured not by what he receives, but rather by what he fails to receive."

### 5 Inherent Contradiction of capitalism and crises.

The capitalistic regime is essentially competitive. There is the proverbial "cut-throat" competition among capitalists. In order to capture markets, each producer tries to produce goods on a large scale, because most of the industrial commodities are produced under a law of increasing returns or diminishing cost. The more the quantity of goods which are produced, the less is the cost per unit of article. This tendency towards constantly increasing production is combined with the efforts to increase the mechanical efficiency and to improve the technique of production. Thus production goes on increasing, almost blindly. Every producer thinks that the more he produces and the better the means of production that he makes use of, the lower will be his cost of production per unit, and the greater will be the chances of his capturing the market. The inevitable result is that production outstrips the demand. As Spargo and Arner put it: ' 1

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1. Spargo & Arner: *Elements of socialism*, chapter III.



In the struggle between competing producers demand is frequently over-estimated.....Manufacturers run their factories to their full capacity and produce more than can be profitably disposed of. Competition in selling drives the price down until the sellers prefer to store the goods rather than sell. The factories are then closed, the employees are thrown out of work, and production is only resumed after the accumulated production has been gradually marketed. A series of profitable years often stimulate production to such an extent that there comes to be what is known as general overproduction—production more than demand in nearly all lines of industry.

But, economists maintain, there cannot be a *general* overproduction. The capacity of society to expand its wants for more and better goods is practically unlimited and it is always possible for the average man to consume equivalent of what he produces. This is quite correct. Hence the real pro-

blem in a Capitalistic Society is not one of overproduction. The fact that people are starving amidst plenty, however, is to be explained by *under-consumption*.

Each entrepreneur has to keep down wages to lower his cost of production so as to come out successful in the competitive struggle. But when wages are kept down, the purchasing power of the masses is *ipso facto* reduced. Consequently, people cannot purchase all the goods that are produced and wanted, i. e., there is *under consumption*.

Naturally, goods remain unsold. Some manufacturer cannot pay his loans. When he cannot pay his loans to his creditors, the latter, in turn, fail to discharge their financial obligation to their own creditors. And so the vicious circle goes on; and firms after firms go to the wall. Thus a serious financial crisis sets in.

As a writer on finance puts it, "Somewhere in the mutually sustaining threads of the complicated credit network, a break occurs. ~~Some big firms fail.~~ The credit

structure crumbles. Prices tumble headlong. Economic production comes almost to a standstill. Thousands are ruined optimism is engulfed in gloom. Then little by little confidence is restored, the outlook becomes favourable and the situation again reaches normal. The price that is paid for such a wholesome chastening is, however, incalculable.”

In fact, the whole period of capitalistic industry has been marked by periodic fluctuations in business conditions. A period of prosperity is usually followed by a crisis,—in the world's markets.

The first general crisis was faced in 1825. It was followed by crises of 1836, 1847, 1857, 1866, 1873, 1877, 1890, 1900, 1907, 1921 and finally of 1929 which was the most severe. Marx, writes Cole, “ prophesied a long ago that it would come to pass. Nearly a century ago he foresaw that in the end the very fecundity of inventions would bring about the defeat of capitalism as it would become impossible within the bounds

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(1) Agger, *Organized Banking*, Page 95.

(2) Cole, *what is Ahead of us*, chapter 1.

of capitalism to find consumers for expanding wealth which the system would be technically competent to produce. Unless the will and power to consume expand fast enough to take off the market all the goods and services which the resources of production allow to be produced, unemployment and crises would inevitably arise. System will be able to recover only when there has been a vast liquidation of unwanted productive power, i. e., when many plants have been scrapped and many firms driven into bankruptcy.

All this is the result of a contradiction inherent in the competitive capitalistic system—a contradiction between socialized or collective production, and individualistic, competitive appropriation. This contradiction is represented in the struggle between the bourgeoisie and proletarian classes, the one standing for individualistic ownership and appropriation, and the other for socialized labour and collective production<sup>1</sup>

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<sup>1</sup> I. Mellor, *Socialism*, in *Encyclopedia of Religion and Ethics*, Vol. XI.

## CHAPTER II

### **BANKRUPTCY OF CAPITALISM.**

After understanding what is meant by capitalism and what are its essential features, let us now turn to the shortcomings of capitalism. Let us discuss the reasons which have led to a downright and universal condemnation of the existing system of social organization. The main critics of capitalism are socialists. Their criticism of the capitalist society has been very pungent and passionate. Here, more than anywhere else, socialists are in true harmony. Different schools of socialists lay varying emphasis on different weaknesses of capitalism. "To one school the parasitical middleman is the worst offender, to another the exploiting capitalist; to one the anarchy of production is the rock of offence, to another the

unfairness of distribution; the moralist bemoans the low ethical standards of a competitive society, and the artist the hideousness of its products" <sup>1</sup>

On the very threshold, let us make clear that what socialists condemn and deprecate is not the capitalistic *methods and technique* of production but the *organization and system* of production. The achievements of capitalistic civilization have been considerable and its endeavours and results amazing. "The bourgeoisie," recognises the *Communist Manifesto*, "during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature's forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing the whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground—what earlier generation had even a presentiment that such productive forces slum-

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1. Skelton, *Socialism* P, 16.

bered in the lap of social labour ?”

But the evils that where the capitalistic organization of society, socialists think, are so severe and innumerable as to justify an utter condemnation of the system.

The criticism of capitalistic society may be divided into two main groups. The main and primary target of the socialistic assault has been the exploitation of the proletariat by the capitalists. The other point of criticism is the inefficient organization and administration of capitalistic system of production. The socialist movement aims at removing these two evils. “The principal aim of the movement, that which gives it force, is the determination to do away with the power of a class of non-producers to exploit the producers. .... A secondary motive of the movement is the more efficient organization and administration of industry, so that there may be less waste and larger social returns.”<sup>1</sup>

To begin with the efficiency in the production of material goods, capitalism has proved to be hopelessly unsuccessful. There

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<sup>1</sup> Spargo and Arner, *Elements of socialism*. P. 227.

are a host of useful things of undeniable importance which are not provided because employers "cannot make people pay for them when they are done. Take for instance a light house. Without light houses we should hardly dare to go to sea; and the trading ships would have to go so slowly and cautiously, and so many of them would be wrecked, that the cost of the goods they carry would be much higher than it is. Therefore we all benefit greatly by lighthouses, even those of us who have never seen the sea and never expect to. But the capitalists will not build lighthouses. If the lighthouse keeper could collect a payment from every ship that passed, they would build them fast enough until the coast was lighted all round like the sea-front in Brighton; but as this is impossible, and the lighthouses must shine on every ship impartially without making the captain put his hand in his pocket for it, the capitalists leave the coast in the dark. Therefore, the government steps in..... Here we see capitalism failing completely to supply what to a sea-faring like ours is one of the



first necessities of life, leaving us to supply it continually and tax the ship owners for the cost." <sup>1</sup>

In reply to this charge, advocates of capitalism say that such useful works, if not undertaken by private individuals, are undertaken by the state. Even Adam Smith's statement of the irreducible minimum of state functions included "the duty of erecting and maintaining certain public works, and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, erect and maintain; because the profit would never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society." <sup>2</sup> But this reply is not convincing. True, this duty is delegated to the state but mere delegation of a function does not mean the carrying out of that function. The real

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<sup>1</sup> Bernard shaw, *The Intelligent woman's Guide* (Pelican), Pp. 138-139.

<sup>2</sup> Adam Smith, *Wealth of Nations*, Bk. iv, Chapter ix.

question which arises is : whether the state has duly discharged its duty in this sphere. The answer will, perhaps, be in the negative. The existence of such things as vast insanitary slums, inadequate education, etc., even when aided by private 'doles', show that the state in a capitalistic regime, is unable to carry out this stupendous and uphill task efficiently.

While unprofitable, though useful, lines are thus ignored, continue the critics, the businesses showing profit attract too large a proportion of the community working forces. Thousands and millions of rupees are invested into these particular channels; thousands of workers are diverted from other means of employment; inestimable energy of the country, mental and manual, is harnessed into these lines. No body realizes the fact that demand of people for particular commodities is not infinite; and their purchases must needs be consequently finite. Abundant productive resources are thus dissipated under a charm of "coining money" more and more, a charm which becomes increasingly stronger the more it

is persisted in, until it is finally broken by bankruptcy, huge financial losses and severe crises. The paradise of *laissez-faire* individualism shatters into bits on the precipice of hard facts. The planlessness and anarchy of the existing system of production shines wildly in the dilapidation of the entire economic structure of society.

Further, "Under competition there is no way of estimating the demand. Producers work blindly and hope to be able to dispose of their products at a profit. There is no apportionment of the work among the various producers so that no producer knows how much of the supply it will pay him to produce.....Competition, therefore, results in great fluctuations in price, gambling in the necessities of life, numerous business failures, irregular production and consequent injury of the working class." <sup>1</sup>

Supporters of capitalism, however, say that there is no such lack of adjustment between demand and supply of commodities. The equilibrium is secured through

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<sup>1</sup> Spargo and Amer, *Elements of socialism*, P. 20.

price mechanism. If prices fall, it indicates that too much of that commodity is being produced, and producers will begin to produce less because their profits will narrow down while some firms will go to the wall. Supply will thus fall off, until the price again rises. If the supply falls much below the demand, the prices rise too high ; profits increase and the inducement to produce is great. Supply will thus become abundant and prices will fall. This is the *modus operandi* of the law according to which a capitalistic society is said to produce 'just enough paper to go round and just enough ink to cover it'.

Apparently it appears that capitalists' reasoning is correct. But hard facts show the hollowness of this comfortable delusion. If there is no maladjustment between demand and supply, why should we face frequently the times when "commerce is at a standstill, the markets are glutted, hard cash disappears, factories are closed, the masses of workers are in want of the means of subsistence" <sup>1</sup> ? Indeed, facts

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<sup>1</sup> Engels, *Socialists, Utopian and Scientific*.

should be more conclusive than purely theoretical reasoning. But even as a pure reasoning, the capitalists reply has flaws. What they are looking at is the long period tendency. They entirely ignore the intervening period between such adjustments, when maladjustments are rife and repercussions considerable.

The law of bringing about adjustment in a capitalistic society, argues a socialist writer,<sup>1</sup> "is not, in fact, being allowed to operate naturally. The tremendous fall in prices that has taken place has not been sufficient to reduce production, So that prices may again become remunerative. The enormous increase in technical efficiency has militated against the desired result, and so Governments have been forced to step in to save their people from starvation, and they are attempting, by creating an artificial scarcity, to control the operation of the natural law."

This is not all. The planless production is characterized by the proverbial "cut

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<sup>1</sup> Stafford cripps, "*Why this socialism?*", P, 56,

throat" competition among the producers. Competitive selling costs are tremendously increased and they bulk very large in the cost of production. Take for instance, advertisement. Some advertisement is, of course, informative; but mostly it is merely competitive and caters to existing wants. Carlyle tells us of the Hatter in the Strand of London who in place of attempting to make hats better than his competitors, makes a huge hat, 7 feet high, and sends a man to drive it through the street. "He has not attempted to make better hats, as he was appointed by the Universe to do, and as with this ingenuity of his he could probably have done ; but his whole industry is turned to *persuade* us that he has made such. He too knows that the Quack has become God." <sup>1</sup> In this case the production of the hat of seven feet, the ingenuity of the producer, the labour of the advertizing man--all is a sheer waste. Besides waste, advertizing offers a means to influence the press unduly. Newspapers and magazines cannot live without adverti-

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<sup>1</sup> Carlyle, *Past and Present*, P. 122.

sements and a threat to withdraw advertisements has changed the policy of many papers.

Combined with wasteful advertisement is the wasteful and unnecessary duplication in various directions. Much money is wasted in such things as paralleling rail roads, duplication of stock of goods, floor-space, stale goods etc'. All these are necessary concomitants of unchecked *laissez-faire* individualism and entail enormous social loss.

If we turn our attention to the quality of the products, the evils of the present system of production begin to loom very large in our eyes. It is almost impossible for one to succeed in many lines without practising deception and adulteration. If one producer resorts to such unfair methods, others must follow the suit or go out of business. Every one of us has his own experience of the sugar which was sanded and the shoe which was paper-soled. "The dilution and adulteration of food products," says a writer "is a particu-

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1 See Spargo and Amer *Op. cit.*, Pp. 20-21.

larly easy path to profit because the ultimate purchaser has almost no power and very little intelligence.....Woman brings to her selection from the worlds' foods only the empirical experience gained by practising upon her helpless family" 1

Even where the quality of goods is honest enough, they are not at all artistic and beautiful in many cases.

Capitalists, however recognize the existence of this evil but they say that this is the work of only a few unscrupulous persons. Moreover, there are "possibilities of remedies in the existing system." Producers compete not only in price but also in quality. Consequently, there is a natural tendency in the minds of producers to produce better quality goods. Finally, there is government inspection, analysis and publicity.

Certainly the "possibility" is there but the "actuality" is absent. The instinct of deteriorating the quality with a view to earn fabulously large profits has proved

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1 Charlotte P. Stetson, *Women and Economics*.



stronger than the instinct of maintaining the quality in self-interest. Government supervision has also been rendered utterly impotent. One method of deception is hardly grappled with that several other methods spring up. Again, the battalion of shrewd lawyers enables the producers to violate the law, and yet to pass through the meshes of law successfully. Finally, all the national resources devoted to the scheme of government supervision can be saved if the very root of this evil is eradicated. And all this labour can be yoked to the production of goods which can make masses better fed and better clad.

This commercial fraud is, however, exceeded by the enormous financial fraud. Under the regime of the old fashioned 'money economy', writes Veblen, with partnership methods and private ownership of industrial enterprizes, the discretionary control of the industrial processes is in the hands of men whose interest in industry is removed by one degree from the interest of the community at large. But under the regime of the more adequately

developed 'credit economy', with vendible corporate capital, the interest of the men who hold the discretion in industrial affairs is removed by one degree from that of the concerns under their management, and by two degrees from the interests of the community at large. The business interests of the managers demand not serviceability of the output, nor even vendibility of the output, but an advantageous discrepancy in the price of the capital which they manage—a discrepancy between the actual and the putative earning capacity.<sup>1</sup> Even President Roosevelt once declared: "The man who makes an enormous fortune by corrupting legislatures and municipalities, and fleecing his stockholders and the public, stands on the same moral level with the creature who fattens on the blood money of the gambling house and the saloon.....The rebate-taker, the franchise trafficker, the manipulator of securities, the purveyor and protector of vice, the black-mailing ward boss, the

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<sup>1</sup> Veblen, *Theory of Business Enterprise*, Pp. 158-159.

ballot-box stuffer, the demagogue, the mob-leader, the hired bully and man-killer,—all alike-work at the same web of corruption, and all alike should be abhorred by honest men.”

Capitalism is further blamed for fostering many useless vocations which draw the best brains of the country, but do not add to the production of wealth. Lawyers are an instance in point. About nine-tenths of litigation is about property rights and such other matters resulting directly from capitalism. Socialists believe that the abolition of private property would greatly reduce the need of lawyers who would then be available for productive purposes.

These are the main points of indictment of capitalist society so far as efficiency in production is concerned. We now turn to the second part of the socialist criticism, *viz.*, the conditions under which labourers work, their share in the joint product and the consequent material comfort available to them. This part of the criticism is more sweeping and pungent. The basis of capit-

alism, as we have already seen, is exploitation of the proletariat. Majority of the labourers are sunk in what is called "*wage slavery*". Capitalists say that this term is not a fair description of the condition of the proletariat under capitalism inasmuch as workers are free to give up their jobs and go wherever they like. Thus he is not a slave. To this socialists reply that labourers are free only in theory; in practice they are as good as slaves. 'The capitalists' control of all the opportunities of labour gives him power more tyrannous than the slave-owner of old ever held. No legal bond compels the modern workman to labour for his masters, but the monopoly of the means of livelihood is stronger than any parchment right. The main difference between the old and the new slavery is that the modern slave-driver is under no obligation to keep his "hands" from starving. It is for the capitalists, and the capitalist alone, to decide when and where work shall be begun, who shall and shall not be employed, what the manner of working shall be'. "The workman,"

declares Keir Hardie, 'is finding out that he has but exchanged one form of serfdom for another and that the necessity of hunger is an even more cruel scourge than was the thong of the Roman taskmaster... ..He has no right to employment, no one is under obligation to find him work, nor is he free to work for himself, since he has neither the use of land nor the command of necessary capital. He must be more or less of a nomad ready to go at a moment's notice to where a job is vacant. He may be starving but may not grow food; naked but may not weave cloth; homeless but may not build home. When in work he has little if any say in the regulations which govern the factory, and none in deciding what work is to be done or how it is to be done. His duty begins and ends in doing as he is bid. To talk to a neighbour workman at the bench is an offence punishable by a fine; so, too, in some cases is whistling while at work. At a given hour in the morning the factory bell warns him that it is time to be inside the gate ready for the machines to start ;

at a set hour the bell or booter calls him out to dinner and again recalls him to his task one hour later. He does not own the machines he manipulates, nor does he own the product of his labour. He is a hireling, and glad to be any man's hireling, who will find him work.'"

This slavery is combined with the monotony of work that labourers have to do. Factory system means a cramping and dispiriting routine and a pitifully limited horizon for most of the workmen. Individuality is massacred on the altar of increased production. "The man," says Adam Smith, "Whose whole life is spent in performing a few simple operations, of which the effects, too, are perhaps always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is

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1 Keir Hardie, *From Serfdom to Socialism*; Quoted by Skelton in *Socialism*.

possible for a human creature to become... His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues".\*

Again, the working conditions in factories are very insanitary and taxing. Marx declared in *Das Kapital*:

'We shall here merely allude to the material conditions under which factory labour is carried on. Every organ of sense is injured in an equal degree by artificial elevation of temperature, by the dust-laden atmosphere, by the deafening noise..... Economy of the social means of production, matured and formed in a hot-house, is turned, in the hands of capital, into systematic robbery of what is necessary for the life of the workman while he is at work—robbery of space, light, air, and protection to his person against the dangerous and unwholesome accompaniments of the productive process, not to mention the robbery of appliances for the comfort

of the worker.....At the same time that factory work exhausts the nervous system to the uttermost, it does away with the many sided play of the muscles and confiscates every atom of freedom, both in bodily and intellectual activity."

More serious, however, is the intensity of labour which the workers have to undergo and which saps every ounce of vitality. It wears out the life of the workers and they soon become mere scraps. Again, millions of labourers annually die due to the fatal machinery and accidents in factories and mines ; and still more are injured and wounded. 'Yet every effort to lessen the number of these casualties, so long as it involves expense, is resisted.....Life is but a bagatelle when it stands in the way of profit.' ' The poor and helpless labourers cannot hope to get redress in a law court against the battalioned lawyers of the employer. Thus hundreds of families are left to starve because their only breadwinner has been claimed as a toll by the fatal machinery which merely



swell the profits of capitalists.

So much about the actual conditions of work. Capitalists, however, do not, agree to this criticism. They 'say that there is no question of dependence of labourers on capitalists. There is no question of slavery. Both meet on equal terms. Labourers are as much dependent on capitalists as capitalists on labourers.' But this defence obviously disregards the most potent fact that labourers are without any resources on which they can live if they do not work ; this considerably weakens their bargaining power. But the bargaining strength of capitalists is very great. What is the wonder then if capitalists exploit labourers ? It is rather, only natural outcome of such condition, human nature being what it is. Again, say capitalists, every government prescribes a national minimum of sanitation and of light and space. Finally, there is trade union organization which, by collective bargaining, offers an effective front to the capitalists. But trade unions generally prove to be a frail reed to depend upon in

times of great distress and there are undeniable repercussions on the labourers in those times.

Now, we come to the question of the distribution of the joint product, i. e., the amount of wealth produced as a result of the joint effort of land, labour, and capital; in other words, the national dividend. Labourers, under capitalism, get only a minor part of their fair share of the national income, and consequently they have to live in life-long poverty. "The compensation of the producer under capitalism is determined neither by his needs, nor by the value of the product that he gives to society. Labouring power is a commodity that is bought and sold on the market, and the price of which at any given time is determined by the laws of supply and demand. In the long run, the wages of any given class of labour equals its cost of production. Thus labour becomes as impersonal as so much steam or water power, and is placed on the same level with capital and land as one of the three factors of production in the current-

ly accepted economic theory.”<sup>1</sup>

The trouble is not only this that the worker gets only a fraction of the value produced by him ; greater than this is the ‘uncertainty of his proletarian existence .....because of the growing impossibility for the individual workers to free themselves from the double dependence upon the employing class and the vicissitudes of the industrial cycle ; because of the constant threat of being thrown from one sphere of industry into another lower one, or into the army of the unemployed.’ (*Bernstein*).

Even under scientific management, which claims to give to the labourers a just share of product and is far better than the “thumb-rule method”, it has been asserted that the labourers are unfairly treated.

With this scanty earning that the labourers are able to make out, they have to remain content with a pitifully low standard of living. They have to live in drabby

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1 Spargo and Arner, *Op. Cit.*, P. 14.

hideous and unsanitary dwellings. Engels gives the following picture of Manchester: The manner in which the great multitude of the poor is treated by society to-day is revolting. They are drawn into the large cities where they breathe a fouler atmosphere than in the country ; they are relegated to districts which, by reason of the method of construction, are worse ventilated than any others; they are deprived of all means of cleanliness of water itself, since pipes are laid only when paid for, and the rivers are so polluted that they are useless for such purposes ; they are obliged to throw all offal and garbage, all dirty water, often all disgusting offal and excrement into the streets, being without other means of disposing of them. As though the vitiated atmosphere of the streets were not enough, they are penned in dozens into single rooms,.....they are given damp dwellings, cellardens that are not water-proof from below, or garrets that leak from above. Their houses are so built that the clammy air cannot escape. ....The view from the bridge is charact-

eristic for the whole district. At the bottom flows, or rather stagnates the Irk, a narrow, coal black, foul smelling stream, full of debris and refuse, which it deposits on the shallower right bank.....Everywhere heaps of debris, refuse and offal..... The whole side of the Irk is built in this way, a planless, knotted chaos of houses, more or less on the verge of uninhabitableness, whose unclean interior fully correspond with their filthy external surroundings.....In truth it cannot be charged to the account of the helots of modern society if their dwellings are not more cleanly than the pigsties which are here and there to be seen among them.....My description is far from black enough to convey a true impression of the filth, ruin, and uninhabitableness, the defiance of all considerations of cleanliness, ventilation, and wealth which characterize..... this district."

Many socialists of to day also have painted similarly black pictures.' Such surroundings can only mean low vitality

and constant exposure to infection.

The effects on the morals of the labourers are also really disastrous. "Next to intemperance in the enjoyment of intoxicating liquors, one of the principal faults of English workingmen is sexual license. But this too follows with relentless logic, with inevitable necessity, out of the position of a class left to itself, with no means of making fitting use of its freedom. The bourgeoisie has left the working class only these two pleasures, while imposing upon it a multitude of labours and hardships, and the consequence is that workingmen, in order to get something from life, concentrate their whole energy upon these two enjoyments, carry them to excess, surrender to them in the most unbridled manner."¹ Further, the same writer continues, "the social order makes family life almost impossible for the worker. In a comfortless, filthy house.....a foul atmosphere filling rooms overcrowded with human beings, no domestic comfort is possible. The husband works the whole

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¹ Engels, *Conditions of the Working Class*, P. 128.

day through, perhaps the wife also and the elder children, all in different places; they meet morning and night only, all under perpetual temptation to drink; what family life is possible under such conditions?"

And then "when we have bound the labourer fast to his wheel, when we have practically excluded the average man from every real chance of improving his condition, when we have virtually denied to him the means of sharing in the higher feelings and larger sympathies of the cultured race, when we have shortened his life under our service, stunted his growth in our factories, racked him with unnecessary disease by our exactions, tortured his soul with that worst of all pains, the fear of poverty, condemned his wife and children to sicken and die before his eyes, in spite of his own perpetual round of toil—then we are aggrieved that he often loses hope, gambles for the windfall that is denied to his industry, attempts to drown his cares in drink, and, driven by his misery irresistibly down the steep hill of vice,

passes into that evil circle where vice begets poverty and poverty intensifies vice, until society unrelentingly stamps him out as vermin. Thereupon, we lay the flattering unction to our souls that it was his own fault, that he had his chance, and we preach to his fellows thrift and temperance, prudence and virtue, but always industry, that industry of others that keeps the industrial machine in motion, so that we can still enjoy the opportunity of taxing it."

It is, of course, true that charity seeks to remedy the evils,, but it is only a very minor corrective. Society, really, no longer intentionally permits any of its members to starve. In times of scarcity and hardships, efforts are usually made for giving necessary redress. For this purpose we have got many costly organizations to which is added a large amount of personal effort directed to the same end. But the effect of charity is often disastrous. "It places the individual in a position of cringing dependence and destroys self-respect by invading the privacy of the home to make



inquiries which are necessary to prevent impositions."

But, capitalists state, that there are several other means aiming at the amelioration of the lot of the proletariat, e. g., legislation with regard to labour welfare etc. But these measures do not aim at removing the *cause* of poverty and suffering. They simply tend to reduce the intensity of misery. So long as capitalism remains and wages continue to be determined by the formula of demand and supply, poverty *will* continue.

Capitalism, thus, appears to be full of so many shortcomings and defects in every phase that it is rightly called a disease of social organization and a curse on modern civilization.

## CHAPTER III.

### CAPITALISM IN A FIX.

Capitalism is thus characterized by so many grave evils. Their burden has now become too much for it and it is groaning under their weight. The failure of capitalism is mainly the failure to solve the problem of distribution of wealth and income. Capitalism has solved the problem of production of wealth, more or less, though not very, satisfactorily. Anyhow, it must be admitted that the productive capacity of all the progressive countries of the world has increased tremendously to an unprecedented level. Robert Owen, Karl Marx, Engels and other socialist writers have acknowledged in eloquent words this achievement of capitalism<sup>1</sup> The heights reached and kept by great industrial

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<sup>1</sup> See Chapter 2., *Ante*.

magnets like Krupps and Fords are simply wonderful. It is said that productive efficiency has increased so much that a single American collar factory can produce three collars per annum for every American !<sup>2</sup> In the World Economic Conference of 1937, Chamberlain declared that under modern conditions production can be increased to almost an infinite extent at a moment's notice !

All this is very good and very creditable. But the question which naturally arises is : Has this colossal productivity tended to remove the poverty of the people, to alleviate the misery and helplessness of the masses, and to satisfy even the most elemental wants of the down-trodden millions ? The answer is a definite "No." people are still starving. Men and women still shudder naked in the cold blast. The young men of the capitalistic nations still find the question of bread and butter as the hardest nut to crack. The "how-to-exist" problem is still sapping the very vitality and the best talent of each

nation. What is the cause? Food and cloth are in plenty. Other articles of necessity, comforts and luxuries are in abundanance. There is also a very intense demand for these articles on the part of the hungry and the naked. But still the goods are not sold and purchased and needy people are not fed and clad. Why? simply because the masses have no money to purchase these things with. Their demand is not "effective." They have willingness to purchase the things but they do not have the ability to purchase them. And the reason why the masses lack the purchasing power is apparent. Unemployment is rife all over the world. Capitalism has turned millions of men and women into derelicts, mere wanderers on the street; because unemployment is a necessity for the proper functioning of the machine of capitalism! The unemployed cannot obviously have money to purchase things with; money does not, unfortunately, rain from heaven or spring from earth, but is earned by a worker only when he is employed somewhere. The

unemployed are bound to lack purchasing power but even those workers who are fortunate enough to get some job are not in a happy position. They work industriously and laboriously, day in and day out, but they are not given a fair share of the joint product. They are given a wage which is just sufficient for their bare subsistence; or, a little more than that. The natural consequence, therefore, is that the masses do not have adequate purchasing power. It has been estimated that half of the world population to-day lacks the means of satisfying even its elemental wants for food, clothings and shelter !

The next logical question is : why the workers are not given their fair share of the joint product ? The capitalist is generally blamed for it. His avaricious nature and his greed are said to be the root cause of the evil. But, perhaps, the capitalist alone does not deserve entire condemnation for it. If one capitalist wants and begins to give high wages while others do not, ere long his firm will go to the wall. And, it may be mentioned,

that the producers of one country have to face the competition of the producers of other countries of the world. Hence the former must follow the international standard of wage payment if they are to keep their heads above water. Therefore, it is the system (of social organization) which compels them to pay low wages. We should censure the system and not so much the capitalist. It may be that capitalist is a slave of his greediness and his lust for wealth, and the resultant power and prestige is so strong that he is not able to get away from them; but we should also make *some* allowance for the imperfections of human nature.

The consequence of production on such a large scale and of the lack of purchasing power with the masses has been that the goods produced are not sold. Warehouses are overstocked. Businessmen cannot clear off their goods. And as time rolls on, these goods "go bad" in the shops and warehouses. They are destroyed by insects and germs and become rotten when they have to be thrown away. Even more deplorable is the deliberate destruction of

goods. When capitalists find that goods have been produced in such large quantities that all of them cannot be sold away at profitable prices, they deliberately destroy the goods. They do not adopt the other alternative, *viz*, the selling of goods at lower prices because it would land them into greater difficulties. They do not like that prices should tumble down. And in the almost insane attempt to keep up the prices, they set fire to millions of tons of wheat, make bales of cotton to be eaten away by boll-weevil and sink thousands of dozens of oranges into the sea !

This is the lamentable and painful paradox of capitalism. Hungry and naked masses on the one side, and the reckless destruction of vast amounts of useful articles which can satisfy the wants of these miserable men and women and make them happy, on the other side, clearly indicate that there is something basically wrong in the present system of social organization.

This is not the only paradox. Another

serious paradox is that there is a vast amount of work to be done. Slums, with their reeking fester, mud hovels and *gullies* and *chawls* with their inadequate accommodation and inhospitable environment, and the 'blackspots' and the 'plague-spots' of our modern industrial civilization, all require 'work.' But while so much work remains to be done, half of the world population is unemployed ! People are crying for employment : they want some work to do ; but nobody gives them any job.

Capitalism is now helpless and hopeless. It is dying a natural death. U. S. A. is burning millions of tons of wheat. England is sinking thousands of boxes of oranges into the sea. Brazil is using thousands of tons of coffee as fuel in the railway engines ! And none of them can claim that its people are satisfied and happy, are well-fed and well-clad ! Unemployment is rampant all over the capitalistic world. But no country has the the courage to assert that it requires no work and that it is able to keep even its unemployed in happiness and



pleasure. The situation is absurd beyond conception and tragic beyond measure.

"It is always tragic to starve," remarks Mrs. Barbara Wootton, "and (only in less degree) to be desperately poor or to have nothing to do. But to starve in the midst of plenty is ridiculous as well as tragic, and to starve because of plenty is more ridiculous still. Equally is it ridiculous to have nothing to do when there are things which evidently require to be done, and when plants and materials necessary for doing them are waiting to be used !"

Is there not, then, something really insane about a system which is full of so many contradictions and paradoxes ? Shall we not be the object of ridicule and pity of the future generations who would take us to be imprudent enough to continue to live under a system, the failure and utter worthlessness of which has been proved beyond question ? Is it not high time when this altogether unsatisfactory phenomena of empty stomachs and overstocked warehouses, of idle hands and enormous work to be done, must come to a close ?

There can be only one answer to these questions and that is in the affirmative. Capitalism has now outlived its utility. And our salvation lies, if any where, then in bidding to our old friend, *Capitalism* good-bye.

## EPILOGUE.

To show the shortcomings of a system may be enough to decry it. But it does not complete the task of those who stand for the complete abolition of a system, root and branch. For that, they must be able to give a better substitute for the system they want to do away with.

Many substitutes have actually been proposed. But in an orgy of substitutes that are being proposed to-day, one may not easily arrive at a final decision. There are socialism, communism, syndicalism, guided socialism and many other '*isms*' to thread one's way through which requires time, patience, deep study and a balanced mind.

This part of the study may, therefore, be omitted from this little booklet and may be deferred to another book.

A natural question which arises, and which cannot be totally ignored, is: "Have the high-priests of capitalism become conscious of these defects; and, if so, what

steps have been taken by them to remove these short-comings, and with what consequences?"

In answer to this question, it may be said that the sudden and important 'choke-up' of the mechanism of capitalism, serious crises with far reaching and ruinous consequences, and, above all, the vociferous vituperation and utter condemnation of the capitalistic system at the hands of the socialists certainly have made the advocates of capitalism conscious of its grave defects. They have also made serious attempts to remove them by systems of control and planning. But these attempts have all ended in smoke. In this connection, it will be opportune to quote, *in extenso*, certain relevant portion from G. D. H. Cole's conclusive remarks in his "Studies in Economic planning". He says, 'Fundamentally, the main moral is that capitalism by reason of its very nature, cannot plan, whereas socialism can and must. Under capitalism, the object of those who organize production is not the satisfaction of needs, but the appropria-

tion of profits. They will therefore set out to employ the available resources only up to the point beyond which further employment means the prospect of a smaller return. Socialism, on the other hand, views the entire available supply of labour and other productive instruments solely as means to the satisfaction of human wants. Wants being limitless, in relation to the present means of satisfying them, it is clearly uneconomic to leave any usable resource unused, up to the point beyond which leisure, or amenity in the case of natural resources, has more power to satisfy wants than a further supply of goods. Under socialism there not only not—there cannot be an unemployment problem.” His final moral is that “unless we want to convert the world into armed camps of impoverished peoples, we must plan for plenty—that is, for increased consumption—in ways which are quite inconsistent with the retention of the capitalist system.”<sup>1</sup>

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I G, D, H. Cole *Institute of Advanced Economic Planning*  
 Pp. 252, 256.



