

CHAPTER III

CAPITAL'S ILLEGITIMATE FUNCTION THE KEY TO DISTRIBUTION

LAND, labor, and capital are the essential factors, and the only ones, in all industrial operations which are conducted according to modern methods for producing or acquiring wealth. By land is meant all natural agents, resources, and forces which nature has provided without any assistance from man. By labor is meant any exercise of brain or muscle intelligently directed towards the creation of utilities. Capital may be defined as all those goods which have been produced by man's labor and are devoted to producing or acquiring wealth. One chief function of land is to provide material out of which all valuable things are made, while the office performed by labor is to make these valuable things out of

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this material. The function of all labor of brain or muscle employed in industrial operations can be summed up in one short sentence. It is to change the form and place of material. The real function of capital can be summed up in a still shorter sentence. It assists labor. Capital assists labor by bringing it and material together under such conditions as will enable it to operate upon material advantageously, as in the case of a factory where capital provides the building appropriately equipped with tools and machinery. It does not pay wages or pay for material or any of the running expenses. These are paid from the proceeds of the concern. In all extractive industries, farming, mining, lumbering, etc., in all industries which are devoted to producing goods of any kind, capital assists labor in operating upon material as in manufacturing operations, and does nothing else. This is also true in all industries devoted to the transportation of goods. Capital provides the railroads and steamships which assist labor in transporting goods from one place to another. The difference between manufacturing industries

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and those devoted to transporting goods, is that in the former capital assists labor in changing the form of material, and in the latter it assists in changing the place of material. To assist labor is its one and only legitimate function. Any other use to which it may be turned is absolutely non-essential, and from society's point of view any other function is illegitimate as well as non-essential.

In these days of vast fortunes and immense aggregations of capital, it performs three distinct functions—one essential, two non-essential. One of its non-essential functions is concerned with the distribution of the products of industry, where its office is to get a portion of these products and turn it over to those who are so fortunate as to own the capital. This office of capital as a distributing agency will be discussed later. The other non-essential function is concerned with the production of goods. It is the control of the material out of which goods are made. The man who controls the raw material which goes into any factory to be worked up there, can determine whether that factory shall run or shut down.

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The factory may be perfect of its kind and workmen may stand waiting, but he is master of the situation. If his power of control extends to all the raw material required in a thousand factories, he is master of the thousand as easily as he is of the one. Suppose, for example, he is in control of all the copper mines of the world. He then is master of all manufacturing industries where copper is essential for their operation. Give a man control of all iron mines and he has similar control of all activities where iron is essential. Combine with this the control of all coal and coke fields, and you make him industrial dictator of the world. He becomes absolute master of one of the foundational industries and of all industries and activities dependent upon it. He can determine whether any hammer in a steel mill shall work or be idle. He has the power not only to say whether a mill shall move or not, but he also has the absolute power to dictate the price of all iron and steel products whether steel rails or watch springs, and the price of all goods into which iron or steel enters as an essential part. Through the means of transportation

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he can dictate the price of all goods transported, even of fruits and vegetables. His power does not stop here. He is able to dictate the terms of distribution of all the wealth resulting from all iron and steel industries and all other industries dependent upon them. As in one industry so in all, the master of the raw material is master of the industry, including the division of the products after the industry has done its work.

Since this is so, every important business enterprise which is dependent for its operation upon raw materials, undertakes to control its own supply of that material, and the nearer their control is to nature the more complete it is. Hence the effort of the great business combinations commonly called trusts to get their feet on the ground. The monopolistic power of many of these combinations is secured in whole or in part through their control of the sources of supply of raw material. The organizers of the Steel Trust understood this well when in securing their charter they inserted among the many objects for which the corporation was formed: "To acquire, own, lease, occupy, use, or develop any lands containing coal or

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iron, manganese, stone or other ores, or oil and any wood lands or other lands for any purpose of the company." In pursuance of this power they have acquired extensive iron-ore deposits covering great sections of three States, and immense acreages of coal and coke deposits covering great sections of five other States. With the exception of two of the smaller sections, all these deposits, located in eight different States, some of them a thousand miles apart, are connected by a network of railroads and steamboat lines owned and operated by the Trust. All the so-called capital invested in the purchase of these ore, coal, and coke deposits, and in the railroads and boat lines connecting them, is performing a function which is absolutely not essential to the processes of producing iron and steel products of any kind. All processes of production can be conducted in the same manner and with the same results, whether these mines and means of transportation are owned by the Steel Trust or by some other trust, or by the State, or by nobody. Ownership of all these by the Steel Trust carries with it absolute control of the sources of supply of

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all their material, and hence it makes them masters of all the processes carried on in their hundreds of plants located in fifteen different States, and masters of all their products, including control over the distribution of their values. The Trust controls something over seventy per cent. of all the steel and iron products made in this country. Assuming that the producers of the other thirty per cent. have a like control over their sources of supply, the conclusion we reach is that through this non-essential function of capital invested in natural resources and in means of their transportation, control of all iron and steel products of every description, made in this country, is secured. In such degree as this mastery over products is secured, in that degree the masters can dictate the terms of division among those who have contributed to their production, and the obsolete agencies still used by society for making the division, make them more complete masters of the products and assist them in making such division as they please. If any part of this legalized control is not exercised, it is because the managers of the industry have found it for their personal

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advantage not to exercise this control to its full extent. If in some controversy with their employees they have given a little larger portion of the products in the form of wages, it has been because they thought it was for their own personal advantage to do so, and not because they were compelled to yield by any outside power or authority. If in securing loans on bond and mortgage they consent to pay out of the products of the industry six per cent. interest instead of five, it is because they think it is for their own personal interests to do so, and not because they are compelled by any extraneous authority. If they sacrifice a percentage of proceeds from products by lowering the price of goods, it is because they are serving their own interests by trying to head off competition from some other part of the world. So in exercising this control they always use it as will serve their own personal interests best. But the control is complete and still in their hands, the control secured through the non-essential, illegitimate use of capital. As in the steel and iron industry, so in all manufacturing industries.

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In agriculture, another great foundational industry, the same control over products is secured by this same non-essential use of capital. The first thing a farmer, for example, does is to buy a farm. In other words, he buys at one time all the raw material he is going to use in his business, whereas the manufacturer generally buys it from month to month or from year to year. But, as we have shown, the great manufacturing interests imitate the farmer by buying up portions of the earth which contain the raw material they want to use, as in the case of the Steel Trust. They would all do it if they could. In the case of the farmer, since the methods of operation are so different, it is necessary for him to be in possession of all the raw material he is going to use while he is a farmer. So he buys it all at once and calls it his farm. On it he builds a house and barn, he builds fences and digs ditches if necessary, he buys seed and tools to work with. With the help of all this equipment of buildings, tools, seed, etc., he applies his labor to his raw material and makes wheat and corn and oats and fruits and vegetables. In this process the three essen-

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tials found in all industrial processes perform exactly the same functions which they perform in manufacturing processes. Nature provides the material, labor operates upon it, and capital performing its essential, legitimate office assists labor. In order that the farmer shall have control of the goods he makes, he, like the manufacturer, must control the material which is nature's contribution to the process. Upon it he must operate. The money invested in his farm, if called capital, is capital performing the same non-essential function as in manufacturing processes. Without this control the farmer would not be in control of the products of his farm, but the process of raising grain and fruits and vegetables could be carried on in exactly the same manner and with the same results whether the ground is owned by the farmer, or by his neighbor, or by the state, or by nobody. The process of production is exactly the same without regard to ownership. But if a second party owns the natural resource the control of the product is lost. Hence in order to secure control for himself the farmer buys the land. In doing this his so-called

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capital is performing its non-essential function.

The same situation exists in all lumbering operations. The so-called capital invested in the forest itself just as nature made it, without the equipment for working it, is performing its non-essential function and gives to the owners the control over the division of products. So in mining the man who owns the mines has control over everything taken out of them.

It has thus far been assumed that control over division of products is secured only by ownership of the material, but this control may under certain conditions be just as effectual if secured through control of the means of transportation, as in case of the anthracite coal-mines. When any outside power is able to dictate to me, if I am a mine-owner, the amount of my output, that power has gained control of the wealth-material I call mine. Through this power the railroad-owners have become owners of the anthracite coal-fields. If not the formal legal owners of all these fields, they have become such owners of most of them, and *de facto* owners of them all. In the early

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history of the petroleum industry the concern now known as the Standard Oil Trust through its league with railroads secured control of the oil-fields, and in this manner built up that gigantic combination. It matters not how the control of the material is secured—whether through ownership, or through the means of transportation, or some other way: the important thing is the control. If this is secured through the means of transportation, it is still accomplished through the illegitimate use of capital, since its legitimate use invested in railroads is to carry the goods of all men at equal rates for equal services, without favor or discrimination. This is expected of every railroad when its charter is given it by officials acting for the people. Whenever a railroad undertakes to control any industry, or to control the raw material used in any industry, or any natural resource, either for itself or for some favored shipper, capital is performing an illegitimate function, a function not intended by its charter or the people who gave it.

What this control of natural resources may mean is very vividly illustrated by

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ownership of the British Isles, where about 44,000,000 people live. If we except land holdings of less than an acre 520,000 landlords own the island of Great Britain, consisting of England, Scotland, and Wales. That is, they own all there is to be owned on and in this island out of which the wants of man can be supplied. If now Great Britain were a little world by itself, or were so walled about as to prevent emigration to some other part of the world, the 520,000 could starve to death the rest of its 39,000,000 and have the sanction of law for their action. Such is the legalized power given by British law to British landlords. The ratio is one landowner to seventy-seven non-owners. That is, seventy-seven British subjects to whom British laws have denied access to land would be compelled to acknowledge their dependence upon and bow obedience to that one to whom these same laws have given the mastery over the means of existence by conferring upon him ownership of nature's contribution to human happiness.

Unhappy Ireland is one spot on earth where the cruelty of this power has been felt with all its force. Fortunately for Ire-

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land it has not been walled about and thus cut off from the rest of the world. A way of escape for many has been by emigration to America. A most interesting fact in connection with British landlordism, and emigration to other lands resulting from it, is the following: During the decade from 1885 to 1895 sixty-eight out of every hundred of the inmates admitted to New York City's pauper-houses were born in the British Isles, sixty of them in Ireland. During this same decade thirty-five out of every hundred admitted to New York City's public hospitals and thirty-five out of every hundred admitted to the city's insane asylums were born in Ireland. It would be puerile to deny any relation of cause and effect between ownership of land in Ireland and Ireland's place in the pauper institutions of New York City. It is estimated that during the reign of Queen Victoria, 3,668,000 persons were evicted by landlords in England, Scotland, and Wales, to say nothing of Ireland, and that 1,225,000 died of starvation.

This control of natural resources represents the non-essential, the illegitimate use of capi-

tal which carries with it the absolute power over the division of the products of industry; hence the undescribed and indescribable misery endured because of it. When people come to recognize the distinction between the legitimate and the illegitimate functions of capital in both the producing and the carrying industries, they will find some way of putting an end to this non-essential, this illegitimate function which results from adherence to traditional institutions founded in selfishness and maintained by force.