

The Appeal of Communist Ideology

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I

WE LIVE IN A "CAPITALISTIC" country. And there is, at the present time, no indication that the Communist Party—or the Socialist Party either—has the allegiance of more than a very few voters. There is, indeed, only one country, Soviet Russia, in which either communism or socialism can be said to be dominant. To discuss, therefore, the "appeal" of the ideology of either of these "isms" may appear to some as altogether ridiculous.

But such discussion might have seemed ridiculous in Russia, too, in the days before World War I and even during the first year or two of that war. And even if the Communist Party, as such, is still anathema in a particular country, yet many of its tenets may be widely, if nevertheless vaguely, believed in. They may be believed in without consciousness of inconsistency by thousands or millions of persons who do not know precisely what communism is—though they are sure that they are not themselves Communists—and who do not realize that many of the inchoate ideas which seem to them reasonable and just are of the essence of the communistic philosophy.

It is worth while to note, in this connection, that communism and socialism are in many respects the same. Both envisage an economic system operated by the State. Protagonists of both contemplate an economic régime in which private ownership of productive goods and enjoyment of the income from them by their owners are prohibited. And, indeed, the terms "communism" and "socialism" have often enough been used interchangeably. Karl Marx has been called "the father of modern socialism." Yet he was the

author (with Friedrich Engels) of "The Communist Manifesto." Russia should probably be classed as a "socialist" rather than a "communist" State, since it has departed from its earlier ideal or plan of substantially equal incomes for each and now purposely gives higher pay to skilled workers than to the unskilled and very appreciably larger income to persons of high technical training. If, thus, the term "communism" usually conveys an idea of more insistence on equality of incomes and if, in recent decades, it has had in it more of a suggestion of the advocacy of radical and revolutionary change—as distinguished from evolutionary and gradual reform brought about through the ballot—these differences are nevertheless not greatly important for our present purpose.

Perhaps one of the conditions favorable to either of these "isms" is the widespread tendency to rely on government: if there is anything wrong "pass a law about it" and so "fix it." Under communism—or socialism—government operates the entire economic system. Government owns and manages all productive capital, determines the amount of new construction of capital, if any, and, in doing so, dictates the amount of saving. All workers are employees of government and the terms and conditions of work are dictated by government. If one finds the idea appealing that, whatever is wrong, the government ought to "fix it," it may not be too hard for him to accept a system under which government definitely *manages* or *runs* the entire economic system.

The believer in a system of free and essentially unregulated industry, on the other hand, must be ready to put his faith in more or less automatic and impersonal forces. To do so, he must have some sort of concept of such forces. The system of free industry, the price system, what is often called "capitalism," depends for its operation on such forces. This system of free industry, "capitalism" or "the free enterprise system," operates through the lure of price. Higher

prices for particular goods and services tempt men to produce those goods and services as a means of securing larger incomes. And lower prices in a particular line discourage men from continuing in it. Higher wages in one area than in another lure men to the former and higher income on capital in one area than in another induces savers to invest their savings where the yield on these savings is thus relatively large. Indeed, the hope of deriving some income from capital is in many cases the incentive that makes men save it.

It is through the lure of price, too, that the public is protected against excessively high prices. For, since relatively high prices for particular goods lure men into the production of those goods, they increase the competition to sell them and thus tend to prevent further rise of their prices and may, even, bring about a reduction.

The believer in the virtues of the free enterprise price system does not hold, however, that government has *no* economic functions. He does hold that the price system cannot operate successfully *unless* government maintains the conditions essential for such operation. There must be a degree of security against robbery and against violation of contract. There must be—or should be—protection against monopoly and against unfair methods of competition which tend towards monopoly or which merely mislead and injure consumers. There must be provision for highways. There must be standards of weight and length which are generally recognized. There must be (at any rate, it is very important that there should be) a stable monetary system. Given such conditions—and it is certainly a proper responsibility of government to see that they are present—the price system will work without continual governmental oversight and regulation of each specific operation.

If one were to compare the State or nation, as a social body, with the individual, he might liken the operation of the price

system—through which the members of the society are fed and clothed—with the operation of the alimentary canal and of the arteries, veins, heart and lungs in the individual body. These organs do depend for their proper operation on the intelligence of the brain. The individual must not consume poisonous mushrooms or the germs of botulism, and he must see that the proper remedial measures are adopted in case a vein or artery is severed or if appendicitis, pneumonia or cancer occurs. The conscious mind must try to protect these organs and their operation from injuries, whether produced externally or internally. The conscious mind must, indeed, endeavor to secure and maintain the conditions necessary for the effective operation of this largely automatic system of supplying the body's needs. But the conscious mind does not have to direct the flow of gastric juice or bile, the peristaltic motion of the intestines, the beating of the heart or the expansion and contraction of the lungs.

This analogy between the individual and the State is certainly not perfect but it is, I think, close enough to be helpful. In our present society there is a large area—the economic one—in which it is necessary only that the State provide favorable conditions and in which, if favorable conditions are provided, the forces of demand and supply will operate automatically and impersonally, and without specific State direction in each separate transaction, to bring about the production and the essentially fair distribution of needed goods. Why should we not, therefore, rely as largely as may be on this automatic operation of the free enterprise system rather than impose the burden of specific detailed direction and control upon government?

But if we are to get anything like the best results it is desirable that government do its part in maintaining certain more or less essential conditions. And it is important that we come to understand just what these conditions are and

just what government has to do to maintain them. Such understanding requires some knowledge of economic principles. The task of directing every detail of our economic life may not, indeed, be a simple task, in practice, for government to assume. But to the minds of the economically naïve, it is apparently much easier and simpler to propose that "government take over the means of production" than to reach an understanding of just what conditions are essential for the most successful operation of the system of free, competitive industry and what, specifically, government must do to realize those conditions. Here, almost certainly, is one of the reasons why communistic—and socialistic—ideology has so much appeal as, directly and consciously or indirectly and unconsciously, it does have.

In the same connection it is to be noted that each pressure group (or its spokesmen and representatives) tries to bend government to its own purposes of abstracting wealth from other groups. The pressure group in question may be the beneficiaries of tariff restrictions; or they may be wheat or corn or tobacco farmers seeking guaranteed prices or special benefit payments or crop-restricting quotas to hold up prices; or they may be persons over sixty years of age—or merely over fifty!—seeking tax levies through which they may be supported in high comfort at the expense of others. The price system or system of free enterprise is impersonal. In it, when it is operated consistently with the principles on which it is generally defended, one prospers by giving goods and services to the community, goods and services that are wanted, and not by propagandizing and by bargaining with other pressure groups to win votes for special favors. What, now, if each interested group is thus to propagandize and to bargain with other groups, to an increasing extent as time goes on, and with less and less realization of the advantages of an automatic and impersonal system! Will not this system,

then, which indeed never has been allowed to operate at its possible best, cease almost altogether to be either automatic or impersonal? May we not, then, many of us, decide that we might as well abandon further pretense of maintaining a free enterprise system and choose to rely exclusively on government for the managing of our economic life, and so on propaganda and on continual bargaining between interested and powerful pressure groups,—or, perhaps inevitably in the end, on dictatorship?

II

ANOTHER PROBABLE REASON for the appeal of communistic—and socialistic—ideology is its apparent simplicity in regard to the explanation of inequality and to unfairness in the sharing of the product of industry. Here is an appeal to the discontented and not too economically well-lettered worker. Such a worker easily and naturally explains his unhappy state by the claim that his “boss,” or the “corporation” that employs him “doesn’t pay me what I earn.” The employer or the employing corporation—the “capitalist”—is unfairly withholding something. Therefore, “capital exploits the workers.”

In this view “capital” or “capitalism” is an inclusive term. No distinction is commonly made between capital and land. What if A does derive an income from useful capital which his own labor produced directly; or from capital which his labor produced indirectly, as in producing (say) food beyond his own needs, thus relieving another from the necessity of producing food, and enabling this other to produce that capital? And what if B derives an income from charging others for permission to make use of material resources which neither he nor anyone else produced or by charging others for location advantages that the community produced? To most Communists and Socialists, apparently, though not, of course, to all, these two different kinds of income are hardly worth distinguishing. Both are incomes from “the means

of production" and both kinds of income are characteristic of "capitalism." And it is probably true that a doctrine of economic reform which does not need to make any such distinction—fundamentally important as I believe the distinction to be—has a very real advantage in proselytizing at least the economically illiterate.

Unfortunately, the so-called educated individuals are frequently not educated in an understanding of our economic life or in the making of economic distinctions. Nevertheless they have, often, high literary ability and persuasiveness and are not infrequently persons of considerable social idealism. And so we have the phenomenon of the idealistic literary intelligentsia who become enamoured of the too simple economic philosophy of communism or socialism, who feel that thus they have become "liberals," and who then use their literary powers to instruct, in the application of such a philosophy to current events, the readers of magazines of opinion! Thus the system of free or unregimented, competitive industry becomes discredited among many of the readers of our "highbrow" periodicals as well as among persons of less intellectual pretention. And so instead of help in instituting those reforms which would make the system of free enterprise work acceptably to the common advantage, we get a strengthening of the appeal of communistic philosophy.

III

FURTHER STRENGTHENING THE APPEAL of communism to the common man is the fact that one or more of its subsidiary doctrines fall in with a very common—albeit fallacious—mode of economic reasoning. Karl Marx, for instance, writes of machinery as displacing labor and producing "an industrial reserve army." This he does without qualification, thus seeming to imply that there is a more or less permanent displacement of labor and that such displacement is to be expected under "capitalism." Thus, this philosophy,

though more pretentious and recondite in its formulation and more literate in its expression, is pretty much consistent with the seemingly cruder philosophy of those workmen who have smashed newly invented and constructed machines as the supposed condition making for unemployment.

The fact is that invention and the use of improved machinery do not have any inherent tendency to decrease opportunities for employment. When new and improved machinery makes it possible to produce with half as much labor and so for \$25, clothing formerly costing \$50, the saving of \$25 to the consumer (if he does not spend most of this in buying *more clothing* than before) enables him to buy more books, paper, magazines, phonograph records or other desired goods, and thus enables more persons to have employment in these other lines. If this happy result does not occur it is presumably because the new method is so *monopolized* as to *prevent* the fall in the price of clothing which would have come under conditions of competition; and in that case the consumer does *not* have more money with which to buy other desired goods. But this is *not* an inevitable concomitant of "capitalism" and is *certainly not* inevitably associated with a system of free *competitive* industry. If government does its proper job of preventing monopolistic extortion, progress in the mechanic arts may still lead to a certain amount of individual employment dislocation and require readjustment to new conditions—e.g., the change to new lines of work when more are needed in these new lines and fewer in the old—but such progress will not bring about large, permanent unemployment.

It is much the same with the socialistic and communistic hypothesis regarding the causation of business depression. Consider the worker whose simple but woefully inadequate and misleading philosophy of exploitation is that "my boss doesn't pay me what I earn," or perhaps, more generally expressed along lines of socialistic or communistic formulation,

that "laborers produce all value but 'capitalism' regularly robs them of a part of the product." Such a worker easily may be persuaded that herein lies the explanation of recurring periods of business depression. Indeed, there is an appealing sense of the accomplishment of poetic justice in the thought that the dull business and bankruptcies suffered by the "capitalists" come as results of, and so as a sort of retribution for, their "exploitation" of their "wage slaves."

But the hypothesis is a false one, nevertheless. It is based on the idea that the wage earners are paid too little to buy back as many goods as they produce. That, supposedly, is why goods are unsalable and why prosperity inevitably ends in depression. In considering this hypothesis, let us assume, with the Communist and the Socialist, that "capitalism" does "exploit" the workers and that the latter do not have money enough to buy the goods of their production. It still does not follow that such goods could not be sold.

To illustrate, suppose that Smith and Wilcox each earns \$4,000 a year—a total of \$8,000 for both—but that Wilcox regularly picks Smith's pocket to the amount of \$3,000 a year, so that Smith has only \$1,000 left to spend and cannot buy more than a fourth as much as he produces. It certainly does not follow that there is any less demand for goods or any fewer sales or any less employment producing goods or any reduction in "prosperity." For Smith's decrease of spending power is balanced by Wilcox's increase of spending power. Though Smith must purchase less—because he had his pocket picked—by \$3,000, Wilcox can purchase \$3,000 worth more than before.

Now, however, we are told that the "capitalists" do not "spend" their money but "invest" it in producing more goods. This means, in terms of our illustration, that Wilcox does not spend for consumable goods the \$3,000 he picks from Smith's pocket but invests it. But what the protagonists of this view persistently overlook is that investing nor-

mally is spending. If Wilcox builds a barn instead of buying clothes for himself, flowers, bric-a-brac and curtains for his wife and toys for his children, his purchase of stone, mortar and lumber is indeed an investment but it is none the less spending and there is just as much labor employed in making what he buys for investment as what he might have bought for comfort and pleasure. Similarly, if he buys the stock or bonds of a corporation which in turn buys, with the proceeds, structural steel, brick, glass and lumber for a factory and hires men to build it, there is as much purchasing of goods and demand for labor as if he had instead bought luxuries for personal enjoyment and hired servants to minister to the members of his household.

In the space which may be reasonably allotted for this discussion of communist ideology, I cannot present a full and complete and detailed theory of business depression. I cannot consider every possible minor aspect of the general principle stated or meet every possible uncomprehending criticism. But I believe I have gone far enough to make fairly clear that, whether or not "capitalism exploits the workers," underpayment of the workers is not the cause of recurring business depressions.

Any satisfactory explanation of the great oscillations in business activity which we refer to as alternate prosperity and depression must give large emphasis to the phenomena of money and of bank credit. This will not be disputed, I think, by thorough and careful students of monetary and banking theory. But, if true, it means that the literary intelligentsia of communistic leanings, or any other persons of literary ability who are nevertheless untrained in the technicalities of monetary economics, are more likely to confuse their readers than to help them understand the causation of depression. The socialistic or communistic explanation appeals to these literary intelligentsia not only because it falls in with a very simple theory of exploitation of the workers but

also because it is itself simple—however seriously fallacious—and does not require, for its *apparent* understanding, tedious study of the complications of money and bank credit, complications in a technical subject that has little attraction for the literary intelligentsia type of mind. Lacking any such study and devoid of any considerable background in the principles of economics generally, they convince themselves by the seeming plausibility of their theory; and they can enjoy the pleasant feeling that their understanding of economic phenomena is superior to that of most of their readers and that their literary elaborations of this theory are helpful in spreading such understanding more widely!

IV

AN INTELLIGENT APPROACH to a comprehension of our economic system, to an appreciation of its shortcomings and to a correlative understanding of what specific changes or controls or reforms would make it operate to better advantage, is not so naïve as that of the Communist and Socialist theorizers. The importance of understanding monetary theory if we would get the best results from a free enterprise system has just been discussed. To mention here but one other proposed reform in our economic system (although one which, in my opinion, is at least as fundamental and important as any other and probably most important and most fundamental), an understanding of the reasons why the rent of land should be socialized, involves some comprehension of how and why land, comprising natural resources and sites, differs from capital. If understanding is to be at all complete, there must be some comprehension of how wages are determined, how the rate of interest is determined, how the sale value of land is related to its rental value and to the rate of interest, why the value of capital is normally related to its cost of production or of duplication while the sale value of land can be arrived at only from its anticipated future

yield or rent and the interest rate by which this is capitalized, how both wages and rent are affected by the speculative holding of land out of use, etc., etc.

No doubt if and when any considerable part of the relatively sophisticated classes come to have a comprehension of these relations, the prestige of their support for public appropriation of the rental value of land will carry enough weight with those whose thinking is less subtle and critical, so that a simple and popular presentation of the issue will suffice for the latter. Such assertions as that rent is a geologically and community produced value, that its collection by private owners amounts to their charging others for *permission* to work on and to live on the earth in those locations where labor is relatively productive and life relatively pleasant, and that private enjoyment of such an income is inappropriate in a society which makes any pretense at equality of opportunity or which is defended on the ground that incomes received are in some reasonable relation to productive contribution,—such assertions seem intrinsically reasonable. These ideas and others related to them are by no means too difficult for common understanding, once they have the support of the comparatively influential and are considered with open minds. They are, indeed, easy to understand when the mind is not confused by involved and fallacious but often superficially plausible objections. Nevertheless, they are not so naïvely simple and so altogether unsophisticated as the assertion that the “bourgeoisie,” in general, as owners of the material means of production, exploit the “proletariat” or workers. Nor is the reform indicated from a study of the land question so apparently simple and its ultimate implications so little realized by its advocates as in the case of the proposal that we just “take over all the means of production and operate them for the common advantage,” or “for use and not for profit.”

No doubt an important reason for the strength of socialist

and communist ideology is the fact that we have for so long neglected to make those reforms in the system of "capitalism" which would make this system operate efficiently and fairly, as there can be no reasonable doubt that it could and would operate if thus reformed. And just because the victims of its uncorrected faults are, therefore, for the most part, relatively poor and unsophisticated and uninformed, their discontent may express itself in the more naïve proposals for reform instead of the more sophisticated ones.

Of course, there would be more hope of adequate reform of the so-called free enterprise system if such reform were definitely urged—and not, instead, opposed—by our propertied conservatives who so often preach the advantages of this system in rewarding efficiency and thrift. Indeed, a sincere and an intelligent defense of the free enterprise system must not merely point to its virtues but must admit its present faults and, in order that this defense of the system may be both logically convincing and appealing for its fairness, must be ready to recommend sufficiently radical specific reforms.

At this time, we of the United States of America are engaged in a desperate war in which our most powerful and effective ally is the Union of Socialist Soviet Republics, the great socialist nation of Europe and Asia. And the only party of this socialist nation is the Communist Party. After we have won this war, with the help of this great ally, is it reasonably to be expected that prejudice against socialist and communist propaganda will be as overwhelming as it was after the last war, when Russia's withdrawal and separate peace were generally attributed, in part, to the Bolshevik revolution? What if victory, with Russia's important help, puts Americans generally into a more receptive attitude of mind toward such propaganda! If, by any remote chance, matters should work themselves out that way, would not communist proselytizing inevitably make the greater head-

way because the masses of men are not at all trained in an understanding of our economic system, and least of all in an understanding of how it needs to be reformed; because conservative beneficiaries of its faults and their spokesmen darken counsel by arguing fallaciously against the reforms most needed, and because of the tendency I have considered at length in this article, for the great majority of the discontented to accept a naïvely simple analysis?

Although its system of land tenure leaves something to be desired, Russia does have the great advantage of collective ownership of land, including all natural resources. And we may assume, reasonably, that their appreciation of this fact helps explain the heroic resistance of the people of Russia against the Nazi invaders who, presumably, would not allow such ownership to continue. But with this collective ownership of land there is, in Russia, government operation of industry, public ownership of industrial capital and compulsory saving. With us, on the other hand, there is private ownership of capital, voluntary saving and, in general, a system of free enterprise. But along with all this there is the payment of billions of dollars a year to the private owners of the earth in the United States, for *permission* to work upon it and to live upon it, for *permission* to draw geologically-produced subsoil deposits from it and for *permission* to make use of community-produced location advantages.

Cannot men learn to distinguish between capital on the one hand and natural resources and sites on the other hand? This distinction, fundamental as it is, clear as it is to those who study it just a little and who are not *unwilling* to see, is all-essential for the reform of our economic system. Must it remain uncomprehended forever by the great majority of the victims of landlord exploitation? Shall we have to choose, therefore, between a basically unreformed capitalism in which landed property control is rampant and tends ever to grow worse, and a regimented socialism?