

THE PROFIT MOTIVE

LANGUAGE is an instrument designed for the clarification of thought, and not, as Socialists too often assume, as a substitute for thought. This is no new development, for the discussion groups of Mr. Victor Gollancz's Left Book Club carry on the tradition of the revolutionary clubs in eighteenth century France.

"Dans la vie," writes Pierre Gaxotte, "ce qui compte, ce sont les actes; ici, ce sont les paroles. Dans la vie, ce que l'on recherche, ce sont des résultants matériels, tangibles; ici, ce sont des votes. Dans la vie, gouverner, c'est lutter contre des choses, prévoir, préparer, organiser, agir; ici, le grand art consiste à composer l'ordre du jour et à faire la majorité. Dans la vie, une pensée se juge à l'expérience, à l'épreuve des faits. Ici, c'est l'opinion qui règne. Est réel, ce qui emporte l'assentiment des auditeurs; est vrai, ce qui entraîne leur adhésion . . . Dans la société de pensée, l'initié fait table rase de tout ce qui n'est pas abstraction et raison raisonnante. Il retranche de lui-même tout ce qui lui est vraiment personnel; il se réduit à cette petite faculté déductive qui est la chose du monde la plus répandue."¹

Word fetishism plays an important part in the propaganda of the Left. The Oxford Dictionary defines "fetish" as "an inanimate object worshipped by savages for its magical powers." To the Socialists inanimate words seem

¹ Pierre Gaxotte, *La Révolution française*, (Athème Fayard), p. 64. This may be baldly rendered: "In life what counts are acts; here it is words. In life what one seeks are material, tangible results; here it is votes. In life to govern is to struggle against things, to foresee, to prepare, to organize, to act; here the great art consists in composing the order of the day and in making a majority. In life a thought is judged by experience and by the proof of facts. Here it is opinion which reigns. That is real which carries the assent of listeners; that is true which engages their allegiance . . . In the society of thought the initiate makes a clean sweep of all that is not abstract and reasoning reason. He abstracts from himself all that is truly personal; he reduces himself to this little deductive faculty which is the most diffused thing in the world."

invested with magical powers. "Democracy" is such a word. No genuine Socialist worships the *fact* of democracy, for the intellectual Socialist has a contempt for the people and is ambitious not to be governed by but to dictate to the demos. It is the *word* "democracy" which he loves, a word which he applies with no sense of inconsistency to the iron dictatorship of Russia. "Humanity" is another magical word, an abstraction dissociated from real life. "You don't matter," says the humanitarian doctor in *Men in White*, "I don't matter. Humanity alone matters." Humanity is a collection of "you's" and "I's," and if you don't matter and if I don't matter, humanity does not matter, for the sum of an infinite number of zeros equals zero. The word fetishist loves to invest neutral words with ethical significance. "Progress" is a neutral word, for progress is good if you are progressing towards a good end, and evil if you are progressing towards an evil end. It is the direction of the movement, not the fact of movement, which is decisive. The word "progress" acquired its present flavour in the Victorian age, which was naive enough to believe in an evolutionary process which was inevitably beneficent. Under the blind influence of Natural Selection the protoplasm had automatically evolved into Mr. Darwin, from which it followed that Progress was a one-way street leading inevitably to the superman. We are wiser than our fathers, for Progress has produced Soviet Russia and Nazi Germany, and Mr. Joad has recovered his childhood's faith in Original Sin, but the word "progress," even in Mr. Joad's post-conversion writings, still retains its Victorian flavour.

The Oxford Dictionary defines "taboo" as "a system, act, of setting apart person or thing as accursed or sacred." The taboo word "progress" has been set apart as sacred; the taboo word "profit" as accursed. Yet "profit" is a word which, properly used, is as neutral of ethical significance as "progress," and just as progress is good if directed towards a good end, and bad if directed towards a bad end, so profit is justifiable if it be a just profit, and unjustifiable if it be unjust. The problem is, of course, to

decide what constitutes a just profit, but a universal principle is not invalidated by the difficulty of applying it to a particular case. Profit is only a form of payment, and the fact that many people extract unfair profits is no more valid as an argument against profit than the fact that people are overpaid is an argument against payment. Even Communists expect to be paid for their services, but underlying Socialist propaganda is the idiotic implication that mankind may be divided into Socialists who work for nothing, and Capitalists who exploit the work of others for profit. Admittedly no Socialist would commit himself to the explicit statement of so indefensible a position, for Socialist propaganda relies on suggesting a train of thought which is never defined in exact words. It is always easy for Marxists to quote some cautious qualification which is useful as a defence against criticisms based on the general tendency of the diffuser passages.

The Capitalist economy, we are told, is planned to make profits; the Socialist economy to satisfy human needs. This is an excellent example of indolent over-simplification, for it is clear that the Capitalist economy cannot make a profit unless it satisfies human needs, and the Socialist economy cannot satisfy human needs unless it makes a profit. Moreover, no Socialist State can make a collective profit unless it makes full use of the profit motive in the individual workers. "The Soviet economy," writes Mr. G. D. H. Cole, "is planned for welfare,"² but unless the Capitalist plans for welfare he will make no profit, since profit is the payment for services which the consumer regards as a contribution to his welfare. The Socialist will retort that whereas the rulers of a Socialist State will ask themselves, "How many boots must we manufacture to provide the bootless with footwear?" the Capitalist enquires, "How many boots can we sell at a profit?" But it is not motives but results that matter so far as production is concerned.

Socialists prefer to evade the economic case for the profit

² G. D. H. Cole: *Practical Economics*, (Penguin Books), p. 249.

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motive and to concentrate on denouncing the profit motive as unethical. But it is difficult to understand why the form of payment for services which we describe as profit, should be the object of intemperate abuse, whereas the form of profit which we describe as wages, should be the theme of unqualified approval. I pay my coal merchant more for my coal than the coal merchant pays at the pithead because I do not want to be bothered to travel to the pithead. I pay the coal merchant to bring the coal from the pithead to my cellar, and his profit is nothing more than payment for services rendered.

Another form of profit may be illustrated by a simple example. Jones and Brown are skilled workmen, but whereas Jones is thrifty Brown is extravagant. Robinson, who is anxious to set up as a taxi driver, applies to Brown for a loan, but Brown has no capital to invest. Jones advances the hundred pounds which Robinson needs to make up the necessary capital for the purchase of a taxi. Three years later he repays Jones his hundred pounds and an agreed share of his profits during the period. Is there any reason why Jones, who has saved his money and thereby deprived himself of its enjoyment, should receive no reward for his abstinence? Is there any reason why Robinson should make no payment to Jones for the service which he has rendered in advancing him money? Surely Jones' profit is merely a legitimate payment for services rendered.³

The phrase "profit motive" has been a godsend to Socialists, for it suggests not payment for services rendered but an unfair increment capriciously added to the just price, and extracted by a trick from an innocent purchaser. Few

³ Aristotle, Moses and the Mediæval Church condemned usury, but they did not condemn profit sharing. Jones advanced the money without security on the assumption that if Robinson failed there would be no profits and his capital would be lost. Had Jones advanced a hundred pounds on the security of a house worth a thousand pounds knowing that he could draw interest at a fixed rate so long as Robinson was solvent and recover his capital with complete security by foreclosing when Robinson went bankrupt, his loan might have been criticized as usurious. In practice the mediæval theologians found it difficult to decide where legitimate profit ended and usury began.

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people are lucky enough to get something for nothing, and few purchasers are so disinterested as to allow vendors to add an arbitrary profit. If I pay my grocer more per pound for ham than he paid per pound for the pig, it is not because he has hypnotized me into ceding him a profit to which he is not entitled, but because I am paying him for services rendered. The payment which we call profit to the grocer, and the payment which we call wages to the grocer's assistant, are both payment for services rendered. Whether the grocer gets too much or the assistant too little is another question.

Socialists have cleverly confused two different issues, the legitimacy of profit as such and the legitimacy of the present distribution of profits. The profit motive is an appetite which, like other appetites, must be controlled. Temperance in profit-making is as important as temperance in eating. Profiteering may be compared to gluttony, but the cure for gluttony is to curb rather than to abolish appetite, and the cure for profiteering is to restrain rather than to eliminate the appetite for profit. The basic problem of social justice is the problem of a just division of the national income. If one class receives too large a share it matters little whether the share is described as "profit" or as "salary" or as "wages." Only the uncandid or the ignorant still pretend that Soviet Russia has solved the problem of distribution. Max Eastman, who is still a Communist, but who has lost his illusions about Russia, quotes the following from an article by Leon Sedov in *The New Internationalist* for February 1936:

"There is hardly an advanced capitalist country where the difference in worker's wages is as great as at present in the U.S.S.R. In the mines, a non-Stakhanovist miner gets from 400 to 50 rubles a month, a Stakhanovist more than 1,600 rubles. The auxiliary worker, who drives a team below, gets only 170 rubles if he is not a Stakhanovist and 400 rubles if he is (*Pravda*, November 16th, 1935)—that is, one worker gets about ten times as much as another. And 170 rubles by no means represents the lowest wage, but the

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average wage, according to the data of Soviet statistics. There are workers who earn no more than 150, 120 or even 100 rubles a month . . . The examples we give by no means indicate the extreme limits in the two directions. One could show without difficulty that the wages of the privileged layers of the working class (of the labour aristocracy in the true sense of the term) are 20 times higher, sometimes even more, than the wages of the poorly-paid layers. And if one takes the wages of specialists, the picture of the inequality becomes positively sinister. Ostrogladov, the head engineer of a pit, who more than realizes the plan, gets 8,600 rubles a month; and he is a modest specialist, whose wages cannot, therefore, be considered exceptional. Thus, engineers often earn from 80 to 100 times as much as an unskilled worker."

Max Eastman cites a table which appeared in the *New Republic* for July 1936, "comparing the salaries of officers in some of our wealthier American companies with the average weekly wage of the workers employed by them." From this table it appears that the ratio of the best paid officials to the worst paid workers is 41 to 1 in the Chile Copper Co., 51 to 1 in the Curtis Publishing Co., 82 to 1 in Consolidated Oil. Comrade Ostrogladov is lucky to be a head engineer in a country which recognizes the commercial value of specialists. Unlike the grossly underpaid officials of the Chile Copper Co. who have to struggle along on a salary only 41 times as great as that of the workers, Communist Ostrogladov, under the beneficent regime of Stalin, draws from the national pool a sum equivalent to the drawings of eighty-six labourers in his Communist pit.⁴

André Gide, who like Max Eastman was once a Communist, visited Russia and discovered that though the workman in Russia is not exploited by capitalists, he is none the less exploited in the subtlest and most ingenious fashion,⁵ and it is, as Gide insists, the insufficient salaries of the underpaid which alone makes possible the disproportionate

⁴ *Harper's Magazine*, February 1937, pp. 303-314.

⁵ André Gide: *Retouches à mon Retour de l'U.R.S.S.*, (Gallimard), p. 38.

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salaries of the higher paid officials. Marx attacks capitalists for exploiting the "surplus value" produced by the workmen. In Soviet Russia it is not the workman who profits from his extra work but those Gide describes as "les favorisés, les bien-vus," the favourites of the regime. If it be true that the Communist economy is planned "to satisfy human needs," it is also true that Soviet Russia is 86 times more successful in satisfying Comrade Ostrogliadov's needs than the needs of his workers. The word fetishist will reply that Comrade Ostrogliadov is not working to make profits for shareholders but for the state. The word fetishist forgets that even in capitalist England the State extracts a large share of any profits that are made.

The basic problems of the economic order are, as I have said, the problem of production and the problem of distribution. The first is primarily economic, the second primarily ethical. Distribution depends on production, for unless goods are produced they cannot be distributed. Our first task must therefore be to discover an incentive to production. Soviet Russia has been far less successful in solving the problem of production, and no more successful in solving the problem of distribution, than capitalist countries. As indeed is admitted by those fervent panegyrists, Mr. and Mrs. Sidney Webb.

"The U.S.S.R.," they write, "cannot yet be shown to have reached the level of productivity per head of population enjoyed by the United Kingdom or some other European countries, or in the years prior to 1929, by the United States."⁶

On the question of distribution the Webbs write, "The maximum divergence of individual incomes in the U.S.S.R., taking the extreme instances," is "probably as great as the corresponding divergences, in incomes paid for actual participation in work, in Great Britain if not in the United States. It is not clear whether the divergence between the extreme instances in the Soviet Union is actually widening."⁷

⁶ & ⁷ Sidney and Beatrice Webb: *Soviet Communism*, (Victor Gollancz), pp. 1036, 1207.

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For twenty years the Komintern has enjoyed undisputed control over an empire abundantly provided with natural resources and equal in area to one-sixth of the earth's surface. The cost of the Communist experiment has been a sum of human suffering beyond all computation, and the result achieved has been a tragically low standard of living.

When André Gide criticized the gross exploitation of the Russian workers, "un excellent marxiste" replied, "You understand nothing. Communism is not opposed to the exploitation of men by Man. How many times need I repeat this? And accepting this you can be as rich as an Alexis Tolstoy or a singer in Grand Opera provided that you have acquired your fortune by your own personal work. In your contempt and your hatred for money and property I see a regrettable survival of your early Christian ideas."⁸ And the Communist added that these Christian ideas had nothing in common with Marxism.

True enough, but the Communists in England, France and the United States who are endeavouring to form a common front with Christians as the first step towards the destruction of Christianity, are less candid than Gide's Marxist friend. Russia's failure is twofold. The Russians have failed as producers because they have tried to dispense with the profit motive, and they have failed as the architects of a new order because they have relied above all on hatred and terrorism.

Work may be divided into the work which is its own reward and the drudgery which requires a special incentive. Admittedly creation is as necessary to the artist as procreation to the lover; admittedly research is its own reward to the true scientist. The true artist and the true scientist only ask from society the modest livelihood which will leave them free for their work and liberate them from sordid anxieties. Doctors are often cited by Socialists as men who work without thought of the profit motive. There are certainly many physicians to whom medicine is a vocation, but

⁸ André Gide: *Retouches à mon Retour de l'U.R.S.S.*, (Gallimard,) p. 60.

there are others, as that eminent Socialist, Mr. Bernard Shaw, has been at some pains to prove in the preface to his play, *The Doctor's Dilemma*. The profession of arms supplies Socialists with yet another misleading analogy. It was not, we are told, the profit motive which inspired the volunteers in the Great War. "If men are prepared to die for their country why should they not be ready to work for it?" Socialists have always envied the military tradition, however much they may inveigh against militarism. Marx observed with disgust that the officers who had gone over to the people in the 1848 Revolution had proved unsatisfactory. "This mob of military men possesses an incredibly disgusting corps spirit. They hate each other like poison and envy each other the slightest distinction like school-boys, but they stand together like one man against the 'civilians'."⁹ Now this "incredibly disgusting corps spirit" is essentially aristocratic. The officer, like the priest, may be recruited from any class, but unless, like the priest, he feels that he belongs to a caste set apart from other men, he is unlikely to be a successful leader in the exacting emergencies of war. Admittedly it is not the profit motive which keeps men in front line trenches, but a spirit which is essentially feudal and aristocratic, and therefore a spirit which the Socialist detests. The feudal tradition that every privilege involves a corresponding obligation still survives in the front line trenches. The officer commands respect because his privileges are balanced by the greater risk which he runs. The casualties among officers are proportionately higher than the casualties in the ranks. The comradeship of the trenches is admittedly not based on a partnership of profit but on a partnership of honour. But though it is a point of honour not to shirk danger at the front, it is almost a point of honour to shirk work behind the lines. If the conduct of men under fire is cited as an argument for Socialism, the behaviour of a soldier on fatigue duty casts a certain doubt on the value of work uninfected by the profit

⁹ Franz Mehring: *Karl Marx*, translated by Edward Fitzgerald, (John Lane), p. 236.

motive, and directed solely for the common good.

The conservatism which is characteristic of all State controlled institutions, whether Capitalist or Socialist, is very pronounced in the Army. General J. F. C. Fuller tells me that his regiment (Oxford Light Infantry) was in 1898 far superior in drill to other regiments because they were only 90 years behind the times, having adopted the drill system of Sir John Moore, whereas the other regiments were still drilling on the basis of methods used in the middle of the eighteenth century. Fire drill for a breech loader remained the same as that for a muzzle loader. The Maxim gun originally went into action as a small cannon on wheels with a soldier riding on each side. Eventually it was placed on a tripod. Because maxim guns had been placed on tripods the Lewis gun, which was designed to be propped up on a trench, was also provided with tripods. The Field Service Regulations issued after the War were very similar to those issued before the War. The doctrine was still preached that the bayonet was necessary to consolidate the victory which the rifle had prepared, in spite of the fact that bayonet charges are unknown in modern war.¹⁰

The immense wastage of food and ammunition in the Great War was symptomatic of all State controlled institutions. Wastage is not unknown under Capitalism, but the incentive to economy is ever present, since the merchant whose produce is wasted is liable to go bankrupt. His balance sheets record with unwelcome accuracy the results of all unproductive developments, but though a State may go bankrupt, a Government department can continue to waste money indefinitely without any automatic warning such as is provided by annual balance sheets. There is a world of difference between spending one's own money and spending Government money.

Economic reformers may be divided into those who realise that certain activities, such as the army, must be State controlled, and that other economic activities must be

¹⁰ See also General Fuller's brilliant book *The Army in My Time*.

partially controlled to prevent the exploitation of the weak, but who regard every extension of State control with dark distrust, and the ardent planners for whom bureaucratic control is an end in itself, and who welcome every extension of State control as a stage towards the Utopia of complete socialisation. There is nothing in the experience of mankind to allay the doubts of the anti-Socialist, or to encourage the hopes of the Socialist. The bureaucracies of to-day still reveal the same inherent weaknesses which have provided satirists from Aristotle to Gogol with a butt for their irony. Socialism multiplies office holders all jealously concerned to defend their own status, and resentful of any intrusion on their particular territories, yet loth to assume responsibility.

“For all its officiousness,” writes von Mises, “such a bureaucracy offers a classic example of human indolence. Nothing stirs when no external stimulus is present. In the nationalized concerns, existing within a society based for the most part on private ownership of the means of production, all stimulus to improvements in process comes from those entrepreneurs who as contractors for semi-manufactured articles and machines hope to make a profit by them. The heads of the concern itself seldom, if ever, make innovations. They content themselves with imitating what goes on in similar privately-owned undertakings. But where all concerns are socialized there will be hardly any talk of reforms and improvements.”¹¹

The Socialist dream of a society in which men will gladly work not for profit but for the State is, as Mr. Walter Lippman remarks, based on “a crudely naïve conception of the nature of property.”¹² The Socialist identifies property with the residual title deeds. The residual owner of all the land of England is, as Mr. Lippmann points out, the King, but the lands of England are not administered for the benefit of the King. Socialists assume that the legal

¹¹ Ludwig von Mises: *Socialism*, translated by J. Kahane, (Jonathan Cape), p. 207.

¹² & ¹³ Walter Lippman: *The Good Society*, (Little, Brown), pp. 72, 83.

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transference of ownership to the State will automatically transfer to the citizens the enjoyment of the property thus transferred. This simple faith in the magic of title deeds is an example of word fetishism. No Socialist has attempted to prove that the mere act of transferring ownership to the State provides any guarantee against exploitation of citizens by State officials. It is easy to transfer title deeds, less easy to decide how the property theoretically owned by all citizens is to be administered in their interests. The experience of centuries negates that facile and unscientific assumption which is the corner stone of the Socialistic structure, that property which is held in trust for the people will be administered in the interests of the people and not in the interest of the official trustees.

“In short, communism,” writes Mr. Walter Lippmann, “when it abolishes private property in productive capital, establishes a new kind of property in the public offices which manage the collective capital. The commissars replace the capitalists, exercising the same powers or greater ones, enjoying the same social privileges or greater ones, and though their money incomes may be less, their luxuries less florid, they have everything that could tempt the less favoured to envy them, to challenge them, and to strive to replace them. The social situation and the psychological mechanism which exist to-day, and which according to communist theory divide society into antagonistic classes, remain intact in the communist order. The only difference is that whereas under capitalism social advantages give political power, under communism political power gives social advantages. Thus the struggle for wealth is transmuted into a struggle for power, and the party of Stalin puts to death the partisans of Trotsky.”¹³

ARNOLD LUNN.