

# The Restoration of Property

## II. *The Handicap Against Restoration*

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AS WE approach the problem of the restoration of property there are two main principles to be kept in mind:

(1) The first is that *any effort to restore the institution of property* (that is, re-establish a good distribution of property in a proletarian society such as ours has become) *can only be successful through a deliberate reversal of economic tendencies.*

(2) The second is that *our effort will fail unless it be accompanied by regulations making for the preservation of private property when it shall have been restored.*

Both these principles are essential to success. As I have said, without a sufficient desire for property present in a sufficient number of people, the attempt cannot succeed anyhow. But however strong that desire, and however widespread, the effort will also fail if these two principles are not concurrently observed.

I have compared the restoration of private property in a society such as ours, where it has been ruined, to the re-afforestation of land.

Another parallel is the reclamation of swamp. Natural tendencies have made a piece of land marshy. It lies low, the rainfall is heavy, the soil impervious and sticky. To reclaim it you must act *against* natural

tendency. You must drain, cut channels, embank; and having done so, you must see to it that the banks, drains, and channels shall be maintained against the constant effort of nature to drag the land back to swamp again.

So it is with property. Property as a general social institution, well-divided property, having disappeared and Capitalism having taken its place, you cannot reverse the process without acting *against* natural economic tendencies. Well-divided property will not spring up of itself in a Capitalist society. It must be artificially fostered. Communism will spring up of itself and flourish in a Capitalist society, for it is a product of Capitalist thought and moves along the same lines as Capitalism. But well-divided property will not so arise.

Moreover, once restored, Property must be constantly sustained or it will lapse again into Capitalism.

Private property acting unchecked, that is, in the absence of all safeguards for the preservation of the small man's independence, tends inevitably to an ultimate control of the means of production by a few; that is, in economics, to Capitalism, and therefore in politics to plutocracy.

At this point I must introduce a digression to meet two objections which will be made by any socialist reader upon his hearing this admission (as he would call it) on my part. For whether a man be a socialist enthusiastically (because he believes communal property to be the most just economic arrangement) or whether he be a socialist reluctantly (because he believes that communal control, though odious, is the lesser of two evils and the only alternative to control

by a few rich men), he takes it for granted that industrial capitalism was ultimately *inevitable* wherever private property was a social institution.

On reading, I say, this which he would call an "admission" on our side, that private property unchecked by special preservative conditions lapses into Capitalism and all its evils, he may consider that since the defenders of property are agreed that it must be so, further discussion is a waste of time. Or he may be one of those that say: "Perhaps private property could have been restored under simpler conditions, but in the modern State, with its use of machinery and its conquest of space, it is too late to make the attempt."

Both these positions are erroneous.

The first, which is the commonest and which we hear on every side from socialists all around us, is based upon bad history pressed into the service<sup>of</sup> bad philosophy. It is not true that Capitalism arose inevitably from the necessary development of economic institutions under the doctrine of private property. Capitalism only arose *after* the safeguards guaranteeing well-distributed private property had been deliberately broken down by an evil will insufficiently resisted. It was not Capitalism that came first and gradually dissolved the institution of well-divided property; it was the conditions under which alone well-divided property could survive, and had survived for centuries, which were first destroyed. Only then, after their destruction, was the field free for the growth of plutocracy in politics and Capitalism in the economic structure of the State. There was something of a proletariat before the great revolution took place. There were landless men, many of them, by

the end of the Middle Ages, and there were men working at transport and exchange, and in the crafts, who had not enough property to count. But the point is that they did not give their tone to the State. They were not so numerous as to mark the character of society until the religious revolution of the sixteenth century had destroyed the ancient walls which had protected the freedom of the human city.

The first great blow was the destruction of the guilds, coupled with the seizure of collegiate property in all countries transformed by the Reformation, especially England. This was followed up by a series of positive enactments in England, of which that one called the "Statute of Frauds" was perhaps the chief instrument in destroying the yeomanry. The great efflorescence of Capitalism came *after* all that bad work had been done, and was only made possible by that bad work.

Nor was it true that machinery in its various forms, including the modern conquest of space, rapidity of transport in material things and ideas, was at the root of this modern evil. The machine does not control the mind of man, though it affects the mind of man; it is that mind of man that can and should control the machine. Moreover, it is not true that the machine is necessarily a centralizer of effort; in some cases it is, in others it is not. The railway worked in favour of those who desired to centralize effort for their own advantage; it added a new support for an already founded capitalist system. But the internal combustion engine works the other way. It transports men and things in decentralized fashion, and it is at the command of the small man. The bus in the country was

decentralizing the control of passenger traffic, and the truck that of light freight traffic, when capitalist monopoly got to work and began to eat up the lesser units. Had a cumulative tax been clapped on to the ownership of more than a few vehicles licensed for country transport, a tax becoming high at half a dozen vehicles and prohibitive at a dozen, we should have continued the small property that was growing up. Similarly steam machinery in the mid-nineteenth century and earlier could be used in favour of already established Capitalism and in a fashion hostile to small property. But electrical power works just the other way. Its origin must be centralized, but its distribution may be infinitely varied, in the smallest units as well as in the largest.

Even where the modern instrument is expensive and therefore makes for centralization, it can be owned and worked as guild property, or in distributed shares, well safeguarded.

The whole attitude of the old-fashioned socialist, or, as he has now logically become, the Communist, with his well-worn argument of inevitability, is rooted in a wrong conception of what men are—that is, a false philosophy—supported by a wrong conception of the historical process reached by the putting of things in the wrong historical order. And though it is true that unchecked competition must ultimately produce the rule of ownership by a few, yet it is also true that mankind has always felt this to be the danger, has instinctively safeguarded himself against that danger by the setting up of institutions for the protection of small property, and that these institutions have never broken down of themselves, but always and only un-

der the conscious action of a deliberately hostile attack.

There are seven main avenues whereby unchecked competition tends to put the few into the control of the means of production, transport, and exchange, and therefore of society as a whole. There are seven main ways whereby healthy normal human society with a mass of well-distributed ownership can degenerate into a Capitalist society, the mark of which is the exploitation of the many by the few, and the power of the few over the many.

These seven avenues may be tabulated as follows:

1. The larger unit is in proportion less expensive in management, rent, upkeep, and all things that are called in commercial jargon "overhead charges": the only limit to this tendency being the difficulty of organizing and conducting units beyond a certain size; and that difficulty is more and more easily overcome by practice and the development of perfected organization.

2. The larger unit is better able to purchase all the more expensive instruments for production, distribution, and exchange, whether in the form of machinery, advertising, or information, through which, other things being equal, one is possessed of a better basis for judgement.

3. The larger unit can borrow more easily *in proportion* than the smaller. It can tap bank credit more easily especially, and bank credit is, today, the chief factor in economic activity of all kinds.

4. The larger institution can undersell the smaller one at a loss, until the smaller one is imperilled or

killed. The richer man can thus "rope in" the smaller man, or "freeze him out"; that is, compel him to alliance on onerous terms or actually destroy him.

5. The larger unit will accumulate capital under easier conditions than the smaller. The rich man can afford a smaller profit or a lower interest on money than the poorer man.

6. Plutocracy once established will corrupt the legislature so that laws will be made in its own favour, increasingly handicapping the small man and advantaging the larger.

7. Plutocracy once established will equally corrupt the administration of justice, weighing the scales in favour of the rich man against the poor man.

Let us consider these seven dangers more particularly.

1. The overhead charges. This is one of the stock arguments of Communism, and a good one so far as it goes. The old typical illustration used to be, in England, the retail urban milk trade. Your Fabian bewailed the state of affairs in which two small men, each with the goodwill of a milk route, overlapped. He pointed out that the expenses of distribution would be vastly reduced by one system controlling the whole mass of small milk routes as they existed not so long ago. He has lived to see the thing come about, in England at least; for the small man in the milk trade has almost disappeared. A huge monopoly has swallowed him up.

And what is true of the milk trade is true of all the other examples of distribution and of most of the examples of production. Chain shops have destroyed the individual shopkeeper. Where there were, say,

forty thousand independent grocers, there came to be forty thousand managers, the wage slaves of a combine, because the cost of administration is less, and this economic advantage handicaps the small man against the great. It has gone on all around us during the past generation at a pace which has increased out of all knowledge, until today on all sides we are gripped by monopoly. Those of my generation can remember a time when for a hundred necessities of daily life individual shops or craftsmen were present throughout our great cities. Today they are fast disappearing; most of them have already gone.

2. In purchasing information for coming to a correct judgement, the larger group of capital has an obvious advantage over the smaller. It is apparent in every economic activity. And one department of it, the ease of negotiation, is perhaps more striking than the rest. You can make a merger of a few great firms and with that merger a monopoly of what they produce or what they distribute, where you could not make a merger of a number of small firms. And with such power admitted freely, working without check, monopoly is the inevitable term to which the whole process tends. Again, the large unit in modern scientific production—*e.g.*, electrical—has a mass of technical experts and a quasi-monopoly of informed ability to execute. To such, a government must perforce turn when great works are undertaken. The power of a larger unit to purchase the more expensive material instrument which the smaller units cannot purchase (save in combination) is also obvious; but it is not always equally apparent, as it should be, that the larger unit can more easily command another immaterial in-



strument of the greatest force: publicity. We all know that advertising has become one of the worst plagues of modern life: what we must also keep constantly before our eyes is that the opportunity for this abuse increases *out of proportion with the increase of the unit at work*. Five hundred thousand dollars spent on advertising has not ten times the effect of fifty thousand dollars—it has more like fifty times the effect.

It has been discovered that with a dull urban population, all formed under a mechanical system of State education, a suggestion or command, however senseless and unreasoned, will be obeyed if it be sufficiently repeated. Now, in issuing such suggestions and commands the larger man has an overwhelming advantage over the smaller. He can, as it were, compel by suggestion. He can create by it a market for his wares, which the small man could never command and out of which the small man will be driven. We all must remark and deplore the undoubted truth that this particular form of plutocratic advantage (I quote it only as an example, but I do so because it is the most glaring and offensive example of all) tends not only to establish a few rich men or small groups as masters of distribution and production, but also to produce and to distribute the worst things. Everyone must have noticed how an article immediately deteriorates after an “advertising campaign” has been started in its favour.

It is true that this particular evil would in time correct itself as the general evil of Capitalism increased, for when all is monopoly, even advertising will not be required. But as things stand today, this fungoid growth of advertising has done evil beyond

anything which the last generation could have imagined: undoubtedly it has ruined the Press. The Press cannot print, even where it should so desire (and being itself in the hands of monopolists it does not so desire to print), any truth which the great advertisers desire to have suppressed. And that is why our field of vision, even on the most urgent public affairs, grows narrower and narrower.

3. What the power to obtain credit, and especially of course bank credit, means today we shall discuss when we come to examine the part played by finance in industrial Capitalism; but we note here that the advantage enjoyed in this department by the larger unit is, again, as in the other instances given, out of proportion to the size of the units engaged. The small craftsman can hardly borrow at all—perhaps a few dollars privately at ruinous interest. The somewhat larger man can borrow more, in proportion, upon the security of his business, but he is not “interesting” to the banker. The owner—or controller—of a very large business can borrow on quite another scale. He does not command, say, ten times the credit of a unit with a tenth of his business, he commands far more and on easier terms.

There are three main ways in which this advantage works:

(a) The large unit can bargain for special rates of interest, lower than are granted to the smaller unit, because (1) the cost of “handling” the loan is proportionately less, (2) the transaction is unilateral in the case of the small man but mutual in the case of the large man. It does not matter much to the bank whether Jones the grocer is their client for \$5,000,

while it is life and death to Jones to get the money. It matters a great deal to the bank to have the great Sir Hannibal Smith for a client, with his loan of a million bringing to the bank \$45,000 a year, or even only \$40,000. And Sir Hannibal is fully aware of that fact.

(b) It may often “pay” the bank, in the case of the big man, to “throw good money after bad”. If they sell the big man up they lose a potential source of later income. They try to “tide him over”. We see the effects of this in mills which the banks have supported through the slump until they owed far more than they were worth; and in large commercial men whose private households are actually paid for week by week out of the banks’ resources, because the banks find, or think they find, it to their advantage to keep them afloat.

(c) A subtle point, but a very real one, the large client is in the same “atmosphere” as the bank. They are both “Big Business”. The psychology of credit works here most powerfully in the very large man’s favour, and the proof of this truth is seen in the very numerous cases where, after a man in a large way has failed, bank credit has been discovered to have been put at his service upon his mere name, with no real security at all behind the last of many loans.

4. The larger unit can undersell the smaller unit by fraud as well as by cheaper overhead charges. This is one of the oldest complaints against centralized capital and the worst of the big man’s methods in his swallowing up the small man. It was one of the first evils of the growing capitalist system to be noted. It was already in full swing shortly after the middle of the

nineteenth century. It is of course for all those who admit the doctrine of the Just Price, manifestly a form of theft.

It works thus. The larger unit of capital can afford to lose on its wares for a longer time than the small unit. If both the larger and the smaller are producing a particular article at a dollar, and both in competition sell it at seventy-five cents, each will be losing twenty-five cents on every sale. The process could not go on indefinitely, but the larger unit of capital can stand the loss longer than the smaller one. The small man will break, while the large man is still solvent. And this iniquitous method by which the large man can destroy the small, is, in all its modifications and varied forms, not only one of the most obvious but one of the most pernicious activities of private property acting purely competitively and uncontrolled. It is also, as we shall see later, when we come to the question of restrictive prohibitions, one of the most difficult to deal with. For there are many conditions under which a man may honestly and in good faith sell at a loss, and the distinction between these and the conditions under which he sells in order to ruin a competitor is difficult indeed to establish.

5. The larger unit of capital will automatically be accumulated for a lesser reward than the small one. This is an exceedingly important point which the earlier critics of Capitalism overlooked.

Capital accumulates for a certain reward. Capital is created by saving out of production for the purposes of future production, and it will not be so accumulated by anyone, the individual owner nor the Communist State, save for some standard of remuneration.

The measure of this reward sufficient to provoke an accumulation of capital, John Stuart Mill called "The Effective Desire of Accumulation", and we cannot do better than adopt this conventional term. Men will not forego a present for a future good save on terms of increment. They will not deprive themselves of the immediate enjoyment of a unit of wealth for the sake of a future unit of wealth, unless the second is larger than the first. A man certainly will not wittingly forego a hundred dollars' worth of immediate enjoyment if he knows that at the end of a year he will only have the same hundred dollars for his pains. He will not save that hundred dollars if he knows that at the end of a year he will only have a hundred and five. He *may* do so if he sees a hundred and ten dollars at the end of the year. He must have increment as an incentive, and the amount of increment which will set him to work to save, the reward sufficient to make him forego immediate enjoyment, is his "effective desire of accumulation".

It is an error, as I have just said, to imagine that this factor is only present under Capitalism. It is necessarily present under Communism, or under a well-divided property, and indeed in any economic system whatsoever. Capital is accumulated with the purpose of future production in excess of its present amount, and if it were not expecting such addition, it would not be accumulated at all.

Now this being so, we note at once that the wealthy man will feel an effective desire for accumulation for a smaller increment than will the poorer man. We put it conversationally when we say that it is worth a man's while to get \$5,000 a year on \$100,000 capital,

but hardly worth his while to save ten dollars in order to get a benefit of fifty cents at the end of the year. Another way of putting it is to repeat the obvious truth that the margin for saving in the case of poor men is narrow, while that of rich men is wide. It is easier to save out of \$25,000 a year than out of \$2,500. The poor man who saves "against a rainy day", who looks on his savings as a sum to be called upon later for his maintenance, will often take very low interest rather than none. Often he will seek for none and merely leave his money on current account, or keep it in a box. But when it comes to investment and a permanent denying of himself for the sake of future reward, it is another matter.

In other words, you cannot tempt small capital to make the beginnings of serious accumulation at the rates which are sufficient for large capital. In order to get the small man to accumulate, in order, that is, to create well-distributed small capital through the accumulation of little savings, you must offer a proportionately higher reward than for large savings.

Unrestricted economic tendency works therefore to the advantage of large units in this case again. The cost of managing a quantity of little savings banks accounts, for instance, is out of all proportion greater than the cost of handling large balances and in point of fact we always find, in the modern capitalistic system, that the first small beginnings of savings are offered lower rewards than the larger ones. In England the Post Office gave no more than half the rate of the State after the War, and the Savings Certificates were calculated at a rate lower than that of the main national loans.

6. The effect of plutocracy in corrupting the legislative machine needs in theory no demonstration, for we all know nowadays such corruption is ubiquitous, and nowhere does it work with greater force than under the parliamentary system. For it to have effect, there is no necessity for actually handing over shares or money to the politicians, though a great deal of that simple form of corruption does take place, for even when such direct action of plutocracy upon the legislative machine is not exercised, there is indirect "pressure" of all kinds. The evil is less formidable under absolute monarchy than under any other form of government, for the whole point of absolute monarchy is that the monarch is too wealthy to be bribed, as well as too strong to be bullied. But in all other forms of government the pressure of the whole wealthy class upon the legislative machine is felt, and when that wealthy class is supreme and has complete economic power over the mass of the citizens, laws will inevitably be made favouring the continuance of the system and handicapping the better distribution of property. Not only statutes, but all kinds of regulations and customs will conform to this rule.

7. The last noticeable effect of plutocratic pressure is that exercised upon the administration of justice. This again, in its cruder and simpler form is less dangerous than in its indirect form. Where the direct bribing of the judges is eliminated there remain two powerful examples of plutocratic effects upon them. The first is the cost of obtaining justice; the second, the legislative effect of judicial decisions.

As to the first of these, we are today surrounded by it on every side. The cost of recovering the smallest

debt is out of all proportion to the cost of recovering a large one. The scale of payments which have to be met before a citizen is enabled to have justice at all is higher in a plutocracy than in any other form of government, and the cost of appeals is the strongest of all the evil forces at work in this field. It is a mere commonplace that the wealthier unit can take a thing to the ultimate court of appeal, the House of Lords or the Supreme Court, where the poorer rival cannot.

The effect of the same spirit upon judicial decisions has been evident through history during the last three hundred years, and was particularly strong during the great confiscations of land. It was mainly by judicial decisions, rather than by direct legislation, that the waste lands, the minerals, forests, commons, and the rest, were alienated in the past. It was by judicial decision, because the lawyers' guilds were affiliated with the rising plutocracy of the seventeenth century, that the yeomen were dispossessed under the Statute of Frauds. For if that piece of legislation had not been applied retrospectively, it would not have had the revolutionary effect it did have.

Our first approach, then, to the problem must be the consideration of what remedies are available by way of check, modification, or prohibition, for meeting these seven lines of attack which are followed by large property in its ceaseless task of absorbing or attempting to absorb small property and to turn the small owners into a proletariat. To that consideration I will turn in my next article.

*(To be continued)*



# REVIEWS

## The Making of Andrew Jackson

THE re-creation of the portrait of one from a past age, about whom storms have raged, against whom invectives have been hurled, to whom bad motives and high praises have been accorded, offers obstacles which perhaps omniscience alone can leap. Great labour must be performed in mastering the history of the period in which the subject lived, the imagination must be strong enough to restore the period of the times and to grasp the sweep of complex forces which motivated the collective mind. This is only preliminary to a greater labour, it is merely setting up the stage and preparing the properties and lighting effects for the actor. This accomplished, the writer is ready to begin his real work. He must now spend years perhaps in search for personal information, and must weigh and test the evidence of both friends and foes of his protagonist. When this collection of fragments is completed he is ready to begin piecing together a human being with the chances all against his being successful. Among many obstacles which still confront him the greatest, perhaps, will be the problem of proportion between historical narrative or background and pure biography or personal narrative—the same problem which confronts the historical novelist. In steering away from the Charybdis of too much historical narrative lest he submerge his characters as have Beveridge and Nevins in their lives of Lincoln and Cleveland, the author crashes against the