

IS CAPITALISM DOOMED?

By Lawrence Dennis

Mr. Dennis writes from the vantage-point of intimate experience, both with the diplomatic activities in the United States diplomatic service in South America and as a former associate in a prominent investment banking-house in New York. His discussion of our present economic difficulties is therefore thoroughly realistic and practical.

His analysis centers attention on the fields of investment operation, the agricultural problem, international trade, and problems of foreign loans and debts.

He shows the interrelation of these problems and makes interesting and valuable suggestions as to public and business policy in these several fields, which might protect us from the dangers otherwise present of a collapse of the capitalist system.

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By

LAWRENCE DENNIS

Formerly Member United States Diplomatic
Service, and formerly with J. & W. Seligman
& Co.



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PREFACE

REALISM, logical consistency and emotional sincerity are the aims in the method of this book. As it has nothing to sell, no conscious use is made of the gentle arts of suggestion or persuasion. The reader is invited on an intellectual adventure into the realm of economic realities. Where the realities are offensive, the presentation has done nothing to make them less so. The reader is asked to think and to follow the logic of the argument—not to agree with it. The book professes to contain no body of eternal verities to save the world and seeks to make no converts to a new economic faith or plan. Its only dogma is that people must think realistically and feel sincerely about the problems of the world depression in the midst of which the book was written. The purpose is to stimulate such thought and feeling. Wise action, it is believed, must spring from clear thinking and true feeling, that is, feeling which is true to one's self.

Thinking which aims to be practical can never be fruitful. Thinking must aim at truth and proceed with indifference to other considerations, particularly to that of an immediate success. The truth reached, of course, is always subjective and of less importance than the mental and emotional processes used in arriving at it. Compromise is often desirable in action but never in thought or feeling, where complete integrity is essential to personal happiness and social progress.

Social thinkers whose main objective is to secure acceptance of a given thesis or, as it is often called these days, a "plan," really make up both their minds and their plan to suit their public. This is often regarded as constructive thinking, which is just what it is not. If the plan gains acceptance, it is hailed as a personal triumph and a substantial contribution to human progress before the results of application can be determined.

A nation can stand "practical" solutions just so long and

then it has to blow up in a war or a revolution. The notion that the proposals of easiest application are the most practical is a popular fallacy. Whatever people want to do is usually practical. Leadership is largely a matter of making people want to do things in new or better ways, not in drafting plans to conciliate prevailing prejudices. The Dawes Plan was a "practical" solution for war debts and reparations. Selling on credit with high interest charges was a "practical" means of assuring an adequate market. The compromises that preceded the American Civil War were "practical" solutions of the slavery question by practical statesmen. But, for how long?

Some practical solutions are sound and others are not. The fact that any course of action is momentarily practical should never be considered as a reason for its retention. If progress is to be made without revolution, habits of dealing courageously with problems must be developed. Healthy evolution ought not to be frustrated by so-called practical solutions. Revolution is but long pent-up evolution.

The economic miseries of the world and the growing menace of war are signs of the times which are here discussed realistically, not for a sadistic joy in making certain people wince. The feeling which has inspired a realistic rather than a wishful treatment is that the way to avoid meeting the unpleasant in experience is to anticipate it in thought and discussion. Realities are rarely as unpleasant on paper as they can be in experience.

It is understood that among influential people, especially in America, England and Germany, the dominant feeling is that one must be practical and that practical means taking a view of facts which best enables a person with a delicate conscience to act effectively in carrying out a preconceived plan. The theory of this book is that people need a practical philosophy rather than practical plans. A practical philosophy is one that is essentially true to the people. It is a notion of their objectives which they can believe without internal conflict. Given this realistic philosophy, the people will take a realistic view of their situation from day to day. In the light of these changing views they will try to pursue rationally their objectives which should always

be changing with the situation. It is easy to justify wishful thinking in the creation of one's future paradise but not in the formulation of one's daily course of action in this world.

Never has wishful thinking been practiced more devotedly than in the United States during the post-war period. Never has a country been more completely under the domination of so-called practical statesmen and practical business men. We have lacked philosophy, spiritual leadership and effective discussion of present-day realities. Courageous facing of facts has been outlawed in positions of responsibility as a form of dangerous radicalism, while smug rationalizations have been extolled as constructive thought. In consequence, though we never had better information, we are neither clear as to our objectives nor in command of our situation. We know neither where we are nor whither we are drifting.

Our leaders, however, continue to bid us have confidence. It is appropriate to inquire, "In what?" "That the frontier era of the United States will have a rebirth?" "That the world will have a new industrial revolution?" "Or that another world war will afford us a fresh spell of profiteering and inflation?" We do, indeed, need a faith, but it must be in something more satisfying to the spiritual nature of man than the rising values of credit inflation.

It should now be apparent, even to the most confirmed optimists, that the ruling type of political and business leadership has not been guiding our destinies in a happy direction. Granting that our leaders are doing their best, it seems that the time has come to know the worst about their limitations and the situation into which they have led us. Unemployment and the menace of war have certain realistic bases that do not yield to psychological technique.

The Paris audience which, on November 27, 1931, howled down a series of distinguished French and foreign speakers may have rendered a greater service to the cause of peace than the peace speeches they stilled. Manifestations of French or German nationalists are valuable because they are genuine. They

are emotionally sincere and honestly expressive of a human sense of great fundamentals. Such virtues are conspicuously lacking in most of our professional peace advocates, handshaking politicians and bond-selling bankers.

It seems that the time has come to talk economics and peace in terms of reality and emotional sincerity. The realists may then become interested in the discussion. After all, it is the realistic nationalists who start wars and it may be that only they can keep the peace. These realists want peace and welfare. The ultimate problem is one of developing realistic formulas to live under, instead of shams like the Peace of Versailles, the League of Nations, the Kellogg Pact and the Young Plan to talk about. This book is not primarily concerned with formulas. They come last and are easily achieved, once the realities have been honestly met and the right states of feeling have been developed. These right states of feeling between peoples can never be founded on illusions or concealments; there are too many realistic patriots ever to make a success of any of the unrealistic peace plans. Doubtless our peace-loving friends are sincerely desirous of inspiring right states of feeling when they employ with unpleasant realities the technique of the advertiser. Unfortunately, or perhaps fortunately, the souls of patriots do not respond in these matters to purely commercial methods. Realists demand cards on the table.

Because this book is intensely realistic, its subjectivity is nowhere dissimulated. The social scientist who affects objectivity is not unlike the celibate who boasts of an objective attitude towards the opposite sex. In the first place, the poor soul is always the victim of self-deception about an emotional objectivity which, in these matters, is humanly unattainable; and, in the second place, lifelong inhibition and self-deception completely warp all judgments on that subject. This book proceeds on the hypothesis that all observation of, and reasoning about, social phenomena must, in the nature of things, be purely subjective and that in consequence, the reasoning which proceeds with the greatest emotional sincerity is best calculated to prove socially useful. Objective validity is the most subjective concept

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that certain thinkers on social subjects have given us. Subjective as this book is, it does not go quite so far as to indulge in that particular species of self-delusion.'

The thought of this book has not been hastily formed. It is partly the product of practice and observation in diplomatic and banking career of wide travel and long foreign residence, and partly the result of study and research. The preparation of the book for final publication, however, was rapidly executed. It is, therefore, to be feared that minor errors in figures or phrasing of certain ideas may escape revision. No excuse is offered for such defects as might mar the absolute exactitude of the book, but the hope is expressed that they may not divert attention from the larger ideas which do not rest on any one or two statements of fact, but on an interpretation of a broad situation.

Finally the author desires to express deep appreciation of the courtesy of Messrs. A. A. Berle, Jr., Raymond Leslie Buell, Calvin B. Hoover and S. L. See for having read the manuscript and having offered extremely helpful criticisms. Needless to say these criticisms contained much dissent with many of the arguments of the book. The author, naturally, has sole responsibility for everything in the book.

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