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EDITORIAL

“OVER-CAPITALIZATION.”

By DANIEL DE LEON

SENATOR McCUMBER of North Dakota announces through the press that he has a plan, which he is to introduce in Congress, whereby panics will be averted, the evil of “bad Trusts” prevented, and prosperity spread throughout the land. So all-embracing an aim leads one to apprehend an intricate piece of legislative machinery. The apprehension is unfounded. Senator McCumber’s plan is of the simplest: “Whenever it shall appear that the cash value of a corporation’s assets is less than the amount of outstanding stock the Department of Commerce and Labor is to take notice of the fact; the outstanding stock is to be called in; and new stock is to be issued in a sum not in excess of the assets, each stockholder being required to take an amount of stock proportionate to his holding,”—and “over-capitalization,” the “root of all evil” will be a thing of the past. It must be admitted that, for simplicity of method and vastness of result, the historic command,—“Let there be light!”, followed by the result, “And there was light,” is not a circumstance. Unfortunately the North Dakota Senator is not a Creator.



PORTER JAMES McCUMBER
(1858–1933)

Overcapitalization is not the “root of the evil,” any more than bad smells are the “root of the evil” of putrefaction. Nevertheless anything that will remove bad smells is progress; upon the same principle it would be progress if overcapitalization could be stopped. Can it?

What is “overcapitalization”? It is a manoeuvre whereby the capitalist pretends he has more wealth than he has in fact; whereby he thereupon, and, with nothing more substantial than his pretence as increased asset, issues stock, that is sold and

bought. Let the result of the manoeuvre be carefully observed. The result is that the fancied asset becomes a reality in the concrete, but remains a falsity in the abstract. It becomes a reality in the hands of the manoeuvring capitalist, who has transformed a fancy into a fact through the hard cash which he has added to his original and actual asset by the sale of stock on his bogus asset; it remains a falsity in the abstract because, after the manoeuvring capitalist has pocketed the sales of his “gold bricks,” there is no more actual wealth in existence than before the capitalist in question “overcapitalized” his business. In short, “overcapitalization” is a capitalist manoeuvre to confiscate existing wealth found in the hands of the smaller fry of capitalists.

With these facts in mind, the question comes, Who has an interest in stopping the confiscatory process? The confiscatory Plunderbund? Evidently not. They have no fault to find with the process; they feel quite happy under its workings. The only ones with a palpitating interest in having the process stopped are the small fry. Can they? The identical reason that keeps them from practicing the identical fraud—their small-fryness—disables them from stopping it. Were they of the Upper Capitalist Class, and not small-fryists, they would be among the possessors of the governmental machine. It follows that all schemes to check the Upper Capitalists in their methods against the small-fry capitalist are rattles to entertain fools with. Capitalism in America has developed economically, sociologically, politically, mentally and morally too far to render effective any checks upon it. It has reached the point when it can be ended sooner than mended.

The fable tells of the convention of mice that decided their safety required the belling of a certain cat. Senator McCumber does not belong to the mouse wing, he is prominent on the cat wing of the capitalist class. When the Senator comes forward with a proposition to bell the capitalist cat, it is as if at that mouse convention the objectionable cat had herself introduced the belling proposition. Mouse intellect would have caused the convention to scatter, leaving the cat proposer all alone. Small fry Capitalist Class intellect proves less alert. Small fry capitalists are shouting with joy at the “deliverer.”

Transcribed and edited by Robert Bills for the official Web site of the Socialist Labor Party of America.

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