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# THE REVIVAL OF MARXISM

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## PREFACE

IF the judgment on Marx and Marxism here given is considered too severe, at any rate it was made after a very careful reading of the evidence available, and the examination was undertaken without prejudice.

In my opinion, as I have shown in other writings, the war disclosed serious weaknesses in the capitalistic system. As the result of these defects, debt and taxation, including that worst form of indirect taxation, the great rise in prices, are higher than they ought to have been.

The war also, it is true, revealed the strength and the benefits of the capitalistic system and the weaknesses of governmental management.

I was, however, quite prepared to find on re-reading the Marxian critique of capitalism some ideas that might be of service under present conditions. Other socialists, from Robert Owen downwards, have done good service in spite of their Utopianism in stimulating thought and suggesting practical reforms.

But the more I read of Marx and his methods the more hopeless and depressing was the effect. Marx is the Mad Mullah of socialists. Marxism in practice on a national scale becomes Leninism.

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# THE REVIVAL OF MARXISM

## CHAPTER I

### CAUSES OF THE REVIVAL

OF the multitudinous forms of Socialism we are told that for the time being Marxism holds the field.

The popularity of Marx may be accounted for in the first place by the fact that his system holds in solution contradictory aims and methods.

The divergence in the interpretation of Marxism is so great that the various interpreters attack one another with the fiercest virulence. Perhaps too much study of class hatred and the material interpretation of history has soured the disputants, and hatred in the Marxists has become a kind of necessary form of thought, or rather emotion.

In Russia Lenin claims to be the only true interpreter of Marx. He wrote a book in 1917 entitled *The State and Revolution*, the object of which is to show that both in economics and in politics Bolshevism is based on the real true Marxism.

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A reply to Lenin was published by Karl Kautsky, who is well known as the most eminent writer on Socialism on the Continent, and more especially as the literary exponent of Marx. Kautsky's book is entitled *The Dictatorship of the Proletariat*, and is a vigorous attack on Lenin and all his works. Lenin has made a bitter rejoinder in the *Proletarian Revolution*. In this last book Lenin speaks of the work of Kautsky as a "monstrous distortion of Marxism," and calls Kautsky himself "a renegade," and "a lackey of the bourgeoisie." "But enough," he continues, "it is impossible to enumerate all the absurdities uttered by Kautsky, since every phrase in his mouth represents a bottomless pit of apostasy." \* And yet Lenin admits that nobody knows the writings of Marx better than Kautsky.

"One must not forget that Kautsky knows Marx almost by heart, and that, to judge by all his writings, he has in his desk or in his head a number of pigeon-holes in which all that was ever written by Marx is distributed in a manner most scientific and most convenient for quotation." †

An earlier example of this divergence of interpretation of Marxism and violent expression of hatred may be noted. Soon after the death of Marx (1883), Loria, the well-known Italian economist, wrote an article on his life and teaching

\* *Proletarian Revolution*, p. 20.

† *Ibid.*, p. 12.

which was attacked by Engels in the preface to the third volume of *Capital*. Engels was the life-long fellow worker with Marx, and at great labour completed the two remaining volumes of *Capital* for which Marx had only left a mass of confused materials. "Shameless and foul means," "the smoothness of an eel when slipping through impossible situations," "a heroic imperviousness to kicks," "an importunate charlatanry of advertising," are some of the darts hurled by the wrath of Engels against Loria.\*

The offending article by Loria has been expanded in book form and recently translated.† The reader will be astonished at the most extravagant praise given by Loria to Marx in spite of fundamental disagreements with his leading theories.‡

Those who think that, after all, Marxism is another name for Socialism may be referred to a recent edition by the Socialist Labour Press of a pamphlet by Marx entitled *Value, Price, and Profit*. This little work is quite justly recommended as the best and simplest introduction to Marx "by Marx himself." In the preface to this new edition it is stated—

"One of the difficulties confronting Labour in

\* *Capital*, vol. iii. pp. 30-32.

† *Karl Marx*, authorised translation by Eden and Cedar Paul.

‡ See below, ch. vii. p. 70.

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its attempt to overthrow Capitalism is the existence of various spurious institutions ostensibly organised to educate the workers. We refer to such organisations as the Fabian Society and the Workers' Educational Society."

The two principal variations in the interpretation of Marxism (by Lenin and Kautsky) are examined in the next chapter.

The saying, "We are all Socialists now," was generally accepted in its day and generation because there are so many and diverse interpretations of Socialism.

In the same way the apparent popularity of Marxism is partly explained by the fact that the word means very different things to different people.

The chief nominal bond of union of professing Marxists is their discontent with the system described as Capitalism, which again, like Socialism, admits of great variations in meaning.

This discontent with so-called Capitalism has been greatly intensified by the economic results of the War. There is a widespread belief—whether well-founded or not—that during the War and after the War, Capital has made and continues to make large unjustifiable gains.

The best-known Marxian catchword seems to apply with increasing force to the conditions arising out of the War. The very name, "surplus



value," suggests "profiteering" and "unearned increment."

The Report of the Committee on Trusts\* begins with the statement that at the present time in every important branch of industry in the United Kingdom there is an increasing tendency to the formation of Trade Associations and Combinations, having for their purpose restriction of competition and the control of prices. Many of these organisations have been created during the last few years, and by far the greater number since the end of the nineteenth century. For reasons given at length in the body of the report there has been a great increase in these "trusts" (using that as the generic term) during the period of the War.

The root idea of all these trusts is to counteract a fall or bring about a rise in profit. The monopoly net revenue is always supposed to be something above ordinary cost, including in this cost ordinary profits. From this point of view the object of trusts seems to be the creation of maximum "surplus value."

As a matter of fact the surplus value created by trusts is in its origin and nature something quite different from the "surplus value" of Marx. In his analysis of value, Marx assumes that there is no artificial monopoly, but that the principle of the tendency of profits to equality prevails.†

\* Cmd. 9236 of 1919.

† *Capital*, vol. iii. p. 209.

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He states definitely that "the monopoly price of certain commodities would merely transfer a portion of the profit of the other producers of the commodities to the producers of the commodities with the monopoly price." \*

The fundamental idea of Marx is that the employment of capital (in the capitalistic system) always involves the robbery or exploitation of labour. Equality of profits only means equality in sharing out the plunder. The point is that even if there were no "trusts"—and when Marx published his *Capital* the trust movement as we know it had hardly begun—the owners of capital would always be getting a surplus value by the under-payment of labour.

This peculiar theory of value is examined later on in the chapters dealing with value, profit, and wages.†

At present, however, people, in general, are disturbed, not to say enraged, by the rise in prices which they ascribe to profiteering. They are quite familiar with the vicious circle, and they do not think that the excess profits in each particular industry or employment is due to the under-payment of the labour concerned.

But when they hear that Marx, more than fifty years ago, had discovered an eternal law of surplus value and proved it mathematically and

\* *Capital*, vol. iii. p. 1003.

† See below, chs. vii., viii., ix.

historically, they are inclined to look with favour on the revival of Marxism. Their idea is that if profiteering has come to stay, a social revolution is required to make it go.

As a matter of fact, if they want to revive an old prophet to curse the trusts, they should revive Adam Smith. The economic system that prevailed in his time was called Mercantilism, and according to Adam Smith the great engine of this system was always monopoly. Adam Smith attacked monopoly, not only in foreign trade, but in all home industries. Adam Smith was not only a far greater man than Marx, but his teaching prepared the way for a continuous flow of social reforms instead of a cloud-burst of revolution.

Apart from the "trusts," popular feeling has been, and is, excited by the fortunes made in the War and by the glaring extravagance of the new rich. The contrast between the conscription of life and the licence allowed to Capital has aroused a feeling of moral indignation, or rather disgust, amongst people who are little concerned about the exploitation of labour. The question is too large for discussion in this place. The "war fortune" is certainly one of the chief contributory causes of the revival of Marxism. From this point of view it is unfortunate that the special taxation of "war fortunes" is considered to be impracticable.

Another of the Marxian catchwords that is meeting the after-war demand for expression of



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deep feeling is "the materialistic interpretation of history." This doctrine, which many of Marx's followers look upon as even more fundamental than his "surplus value," implies that mankind is swayed and governed by material conditions and not by ideas—that morality itself is only a by-product of dominant economic interests.\* There is growing up a widespread belief that the soul of the nation has not been uplifted by the War. People are beginning to think that the idealism of the War was a great illusion; that material interests and not spiritual ideals shape the history of nations and classes. They are almost persuaded that there is truth, if not consolation, in the Marxian materialism.

Any manifestation of idealism at present seems to be associated with internationalism. Not that the internationalism that is now fashionable is free from the materialistic taint. On the contrary, it is mainly concerned with the restoration of trade and of sound monetary conditions. But such as it is, internationalism,† except in France—the great mother of ideals—is taking the place of patriotism. The parents of the dead who fought for the freedom of their country are now being

\* For criticism, cf. Nicholson's *Principles of Political Economy*, vol. iii. p. 170. See quotation from Chaucer.

† Since this chapter was written there was published the admirable study by Jean Maxe entitled *De Zimmerwald au Bolshevisme ou le Triomphe du Marxisme Pangermaniste*. This book, which is fully documented, deserves the most careful attention at the present juncture. [Bossard. Paris. 1920.]



told that the real object of the War was to make a League of Nations to prevent war.

One essential element in the *Communist Manifesto*, the first and the most moving of the writings of Marx, is its internationalism. Before he wrote *Capital*, Marx founded the first "International." Every one knows that Leninism is intended to spread all over the world. People who profess no liking for Communism and find a difficulty in explaining away the barbarities of Bolshevism are ready to ooze with emotion over anything that calls itself "international." Internationalism, like Socialism and Marxism, means different things to different people—one thing to feed-the-babies and another to feed-the-traders, and so on ; but so far as any common meaning can be extracted, internationalism seems the opposite of nationalism. It is passing strange, after all the oratory and protestations in the War on the need for a change in the German heart, and the consequential need for a period of probation before the Germans could be admitted to the full comity of nations—and especially after the withdrawal of the United States from the Peace Treaty—that an internationalism which forthwith is to include our late enemies should be seriously proposed by responsible statesmen. (Since the above was written, M. Krassin, the delegate of Lenin, has been received by Ministers at Downing Street.)

The point of present relevance is that the

international atmosphere is favourable not only to variations of the League of Nations, but to variations of Marxism.

It is desirable that with the revival of Marxism there should also be a revival of the critique of his system. Such is the object of the present book.

A beginning may be made by giving a short account of the salient characteristics of Marx as a man and a writer. His life extended from 1818 to 1883. After being driven from Prussia, France, and Belgium, owing to the bold expression of his political and economic opinions, he finally settled in London.

His opinions became for a season practical politics in the revolutions of 1848-9. He took a leading part in the foundation of the "First International" in 1864, and became chief of that organisation. Marxism was again made practical politics in the Paris Commune (1871). After its suppression Marx retired from the Presidency of the "International" in order to devote himself to his vast work on Capital.

As already indicated, Marxism is complex ; so was the character of the man.

By birth he was a German Jew of the official class. He was a born "intellectual." He was highly educated both in the University and at home. Shakespeare and Dante, and of course Hegel, were familiar to him from his youth up.

Like many Germans he was a bibliomaniac—unlike most Germans he had a keen appreciation of style. He helped Heine in Paris to polish his most polished verses.

In his family relations Marx was a man of singular simplicity and deep faithful affection. His devotion to his wife and children was in truth the mainspring of his life—the death of his wife killed the man. He was as pleased as a child with childish things which he never put away.

He cared nothing for popularity. He took as his motto the line of Dante—

“Segui il tuo corso, e lascia dir le genti,” \*

which may be translated: “They say—What say they? Let them say.”

He was an indefatigable worker and exacted a high standard of work from his friends and disciples. From early manhood he was the centre of an admiring circle.

Above all, Marx was an enthusiast. This enthusiasm made him devote years of great poverty in London to the collection of materials for his very large work on Capital.

The personal character of Marx ought to counteract the impression naturally formed from his manner of writing that he was both insincere and unsympathetic.

He had an extraordinary way of underrating

\* Quoted at the end of the preface (July 25, 1867) to vol. i. of *Capital*.

or perverting the work of his predecessors. At first sight it seems as if he had the common failing of trying to reap where he had not sowed, and the mania for magnifying his own originality by the cheap method of suppression.\*

Possibly he had this weakness, but perhaps he was only carried away by his own enthusiasm. All afire with what he imagined as a world-shaking discovery, he may well have thought that the glimpses of the truth seen by his predecessors were glimpses only, and were also very imperfectly recorded. As will appear later on, what was original in Marx was wrong.

The *de haut en bas* style of Marx in writing of men who by any standard are his superiors in intellectual grasp is so irritating that the reader is apt to wonder if one man only amongst so many should always be right.

That the suppression and perversion by Marx of other writers is largely due to enthusiasm and was not intended simply to make a clearance for his own fame is confirmed by his amazing diffuseness in setting forth his own ideas.

In spite of his own keen appreciation of literary style, page follows page in *Capital* of simple arithmetical illustrations and algebraic formulæ of the crudest type. Any man not beside himself with enthusiasm would have been afraid to throw so much sawdust and water on the fire.

\* See below, ch. v. p. 51.



It says much for the rest of the first volume of *Capital* that the first part did not kill all interest in what was to follow.

His original version of *Capital*, under the name and title of *A Critique of Political Economy* (1859), not only fell quite flat amongst the economists, but filled with consternation his revolutionary friends. Yet in its way it was one of the best things Marx ever wrote.\* It restated a mass of old learning with acumen and gave the appearance of freshness to dry-as-dust controversies of the past. For a history of parts of economic theory, it was too good to be true; but for the food of revolutionaries, it was about as inviting as a diet of ground glass.

And yet he moves—and just now moves more than ever—in spite of his arid hypothetical arithmetic and his old massive learning and his overbearing conceit.

\* See the next chapter.

## CHAPTER II

### THE DEVELOPMENT OF MARXISM

As indicated in the previous chapter the system of Marx is complex to the point of contradiction.

The system was developed by Marx in three principal writings : *The Communist Manifesto* (1848) ; the *Contribution to the Critique of Political Economy* (1859) ; and *Capital* (vol. i., 1867). Friederich Engels was joint author with Marx of *The Communist Manifesto*, and after the death of Marx (1883) completed *Capital* out of the materials left by Marx—vol. ii. (1885) ; vol. iii. (1894).

These works extend to nearly three thousand pages and have given occasion to an enormous mass of critical and controversial literature.

All three works are closely connected and bring out the same leading ideas with differences. For practical purposes, at the present time, the most important is the *Communist Manifesto*. The *Manifesto* was confessedly an appeal to revolution, and Lenin has avowedly carried out the Marxian ideas.

The *Manifesto* was first issued in 1848, but in

a new edition in 1872, five years after the publication of the first volume of *Capital*, it is stated in the Preface by the authors (Marx and Engels)—

“However much the state of things may have altered during the last twenty-five years the general principles laid down in the *Manifesto* are, on the whole, correct to-day as ever. Here and there some detail might be improved.”

In a pamphlet issued by the British Socialist Party, May, 1918, in commemoration of the Marx Centenary (1818—May 5—1918),\* the concluding words of the *Manifesto* are introduced by saying that the *Manifesto* ends with the historic words—

“The communists disdain to conceal their views and aims. They openly declare their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communist revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries unite.”

The comment runs—

“This was written seventy years ago, and except in minor details every word rings even more true to-day when industry and commerce have made far more gigantic strides than they had up to 1848.”

\* *Karl Marx, His Life and Teaching*, by Zelda Kahna Coates.

In the preface to the *Critique of Political Economy*, Marx recalls his previous scattered writing on various subjects and alludes specially to the *Manifesto*.\* The preface to the first volume of *Capital* opens with the statement that it forms a continuation to the *Critique*.

The *Manifesto* has certainly had most influence on the interpretation given to the teaching of Marx by Lenin in his work, *The State and Revolution: Marxist Teaching on the State and the Task of the Proletariat in the Revolution*.†

This remarkable book begins as follows :—

“ Marx’s doctrines are now undergoing the same fate which, more than once in the course of history, has befallen other revolutionary thinkers and leaders of oppressed classes struggling for emancipation. During the lifetime of great revolutionaries, the oppressing classes have invariably meted out to them relentless persecution, and received their teaching with the most savage hostility, most furious hatred, and a ruthless campaign of lies and slanders. After their death, however, attempts are usually made to turn them into harmless saints, canonising them, as it were, and investing their name with a certain halo by way of ‘consolation’ to the oppressed classes, and with the object of duping them ; while at the same

\* The *Manifesto* was translated into English in 1850, and published in the *Red Republican* of G. Julian Harney.—See Prof. Foxwell’s *Introduction to Menger’s Right to the Whole Produce of Labour*, p. c. note.

† The preface is dated August, 1917.



time emasculating and vulgarising the real essence of their revolutionary theories and blunting their revolutionary edge. At the present time the bourgeoisie and the opportunists within the Labour movement are co-operating in this work of adulterating Marxism. They omit, obliterate, and distort the revolutionary side of its teaching, its revolutionary soul, and push to the foreground and extol what is, or seems, acceptable to the bourgeoisie. . . . In these circumstances, when the distortion of Marxism is so widespread, our first task is to resuscitate the real nature of Marx's teaching on the subject of the State."

What Lenin understands by the real teaching of Marx has been written in blood all over Russia.

We see in Russia the effect of carrying the ideas of Marx to the logical conclusion, and if a similar application of these ideas is not to be made in this country and over the world the ideas must be clearly understood and the necessary limitations also understood.

What are these leading ideas ?

The most fundamental of all is that Labour is enslaved by the capitalist system and that the capitalist system must be destroyed before Labour can be liberated. The beginning of the *Manifesto* is as follows :—

"The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, baron and serf,

guildsman and journeyman, in one word, oppressor and oppressed, standing constantly in opposition to each other, carried on an uninterrupted warfare, now open, now concealed ; warfare which always ended either in a revolutionary transformation of the whole of the society or in the common ruin of the contending classes. . . . Modern bourgeois society springing from the wreck of the feudal system has not abolished class antagonisms. All society is more and more splitting up into two opposing camps, into two great hostile classes ; the bourgeoisie and the proletariat."

Such is the beginning of the *Manifesto*. It is followed by a general attack on the bourgeoisie.

" It has left no other tie twixt man and man but naked self-interest and callous cash payment. It has drowned religious ecstasy, chivalrous enthusiasm, and middle-class sentimentality in the ice-cold water of egotistical calculation. It has transformed personal worth into mere exchange value. . . . It has, in one word, replaced an exploitation veiled by religious and political illusions by exploitation open, unashamed, direct, and brutal. The bourgeoisie has stripped of its halo every profession previously venerated and regarded as honourable. It has turned doctor, lawyer, priest, poet, and philosopher into its paid wage-workers."

Later on the attack becomes more venomous.

" The members of our bourgeoisie, not content with having the wives and daughters of their proletarians at their disposal, not to speak of official

prostitution, take special delight in seducing one another's wives. Bourgeois marriage is in reality community of wives."

There follows a passage of peculiar interest in the light of the Great War.

"The workers have no country. What they have not cannot be taken from them. Since the proletariat must first conquer political power, must rise to be the dominant class of the nation, must constitute itself as the nation, it is so far national itself, though not at all in the bourgeois sense."

"The history of all past society is the history of class antagonisms. . . . The first step in the working-class revolution is the raising of the proletariat to the position of ruling class, the victory of Democracy. . . ."

"The average price of wage labour is the minimum wage: *i.e.* the sum of the necessities of life absolutely needful to keep the worker in life as a worker."

No wonder that the *Manifesto* ridicules those who wish simply to reform the present system by getting rid of grievances.

"To this section belong: economists, philanthropists, humanitarians, reformers of working-class conditions, charity organisers, temperance fanatics, and all the motley variety of reformers of every description."

If this is Marxism—and at any rate the interpretation by Lenin is the most notable in practice—



how comes it that in this country we have a revival of Marxian doctrines ?

If Marxism means Leninism, it runs counter to the dominant ideas of the working classes of this country. They are more than doubtful of the policy of "direct action" in the way of strikes, and still less do they feel inclined to bring about a revolution by force of arms. No one believes that the men who fought through the Great War would follow the example of the Russians in the destruction of the lives and property of the so-called bourgeoisie for the advantage of the so-called proletariat.

#### MARX ACCORDING TO KAUTSKY

The truth is that Marxism admits of another interpretation very different in its aims and in its methods from Leninism.

This other interpretation has been best expressed in recent times in the work by Karl Kautsky entitled the *Dictatorship of the Proletariat*, which is, in effect, a critique of Leninism. This book and that of Lenin should be carefully studied by all who wish to understand the very different systems that are supposed to be derived from Marx. Both writers profess to give the real Marx. Let any one compare the following extracts from Kautsky with the passages quoted above from Lenin.



"The Socialist Party which governs Russia to-day gained power in fighting against other Socialist Parties, and exercises its authority while excluding other Socialist Parties from the executive. The antagonism of the two Socialist movements is not based on small personal jealousies: it is the clashing of two fundamentally distinct methods, that of democracy and that of dictatorship. Both movements have the same end in view: to free the proletariat, and with it humanity, through Socialism. But the view taken by the one is held by the other to be erroneous and likely to lead to destruction." \*

So much for the political mode of action. The same opposition appears in the economic field.

"If in this struggle we place the Socialist way of production as the goal, it is because in the technical and economic conditions which prevail to-day, Socialistic production appears to be the sole means of attaining our object. Should it be proved to us that we are wrong in so doing, and that somehow the emancipation of the proletariat and of mankind could be achieved solely on the basis of private property or could be most easily realised in the manner indicated by Proudhon, then we would throw Socialism overboard, without in the least giving up our object and even in the interests of this object." †

The popularity of Marx at the present time, as already observed, is due to the fact that his

\* *Dictatorship of the Proletariat*, pp. 1, 2.

† *Ibid.*, p. 5.

system holds in solution contradictory aims and methods. A reconciliation may perhaps be suggested in the appeal to history. Marx professes above all things to be historical. Passages could be quoted from Marx on the historical growth of different nations which seem as conservative as Burke interpreted by Disraeli. Kautsky quotes from a speech of Marx at the Congress of the "International," at the Hague in 1872—

"But we do not assert that the way to reach this goal is the same everywhere. We know that the institutions, manners, and the customs of the various countries must be considered, and we do not deny that there are countries like England and America, and, if I understood your arrangements better, I might even add Holland, where the worker may attain his object by peaceful means. But not in all countries is this the case." \*

No impartial reader of Lenin and Kautsky can doubt the divergence of their views as to what is the real meaning of Marxism. In the last section of Lenin's book he speaks of Kautsky as "passing over to a 'central' position, wavering, without principle, between Marxism and Opportunism." "The correctness of this view," he continues, "has been fully proved by the war, when this 'central' current of Kautskianism, *wrongly called Marxist*, revealed itself in all its

\* *Dictatorship of the Proletariat*, p. 10.

pitiful helplessness."\* Lenin brushes aside Kautsky's citation of passages from Marx in support of his views. "In order to cover up his distortion of Marxism, Kautsky radiates erudition, offering 'quotations' from Marx himself. . . . Kautsky's 'quotation' is neither here nor there."†

Whatever be the final result of this conflict of opinion on the true meaning or meanings of Marxism, there is no question that the interpretation by Lenin is under present circumstances of the most vital importance. In an "Afterword" Lenin writes: "It is more pleasant and more useful to live through the experience of a revolution than to write about it."‡

"By their fruits ye shall know them" is, after all, the final test between the academic and the practical treatment of the varieties of Marxism.

In comparing, or rather contrasting, the views of Lenin and Kautsky on the meaning of Marxism most stress has been laid on the *Communist Manifesto*, but the more purely economic teaching as distinguished from the political and revolutionary is better appreciated by reference to the later and more elaborate works.

The *Contributions to the Critique of Political Economy* was originally issued as the first instalment of a complete treatise on political economy. It was first published in 1859, but the introduction

\* *State and Revolution*, p. 115.

† *Ibid.*, p. 117.

‡ *Ibid.*, p. 124.



to it which discusses the relations of production and distribution was not published until 1903, although the MS. found amongst the posthumous papers of Marx was dated 1857. This preliminary criticism of political economy is, in the main, a treatise on money and credit in relation to prices, with an introduction on the theory of value. It shows a wide knowledge of former writers from Plato and Aristotle downwards, and is specially full and interesting on the early English economists.

The book is in parts brilliant, both in exposition and in criticism, but in itself not original and still less revolutionary. In truth the leading ideas on money are what would now be termed ultra-conservative, especially as regards the inflation of paper money. The book when published and as published was neglected, first because it was too difficult for the ordinary reader. Its real merits could only be appreciated by the experts in monetary controversies. But secondly it was neglected most of all because there was no indication of the practical application which was to be made in the later stages of the complete work.

To Marx himself, no doubt, the plan of the argument was perfectly clear. The underlying thought—the final cause, to use the old term—of the monetary introduction was the idea that the money power holds free labour in bondage just as firmly as serf-labour was held by feudalism.



The main argument of Marx in his fully developed work, *Capital*, is that it is only by the money power that Capital succeeds in the continuous exploitation of labour. In brief, Capital buys labour-power cheap and sells the product of it dear. The difference is the famous or notorious surplus value. The real uses of things (such is the argument) and the real uses of labour are lost sight of in the pursuit of differences in money values. In the process of the exploitation of labour for its value in money the humanity of labour is forgotten—labour is a commodity like other commodities, with this difference, that unlike the other commodities it is always bought below its real value. (See below, ch. vii. p. 111.)

In the first volume of *Capital* (1867) the theory of value and the theory of money are treated with far less vigour and clearness than in the original work. There is a repetition of simple mathematical expressions to such an extent that the natural diagnosis is confusion of thought in the writer and the natural result is weariness in the reader.

But the latter portions of this volume were not only intelligible to the most careless or obtuse, but they gave a picture of the capitalistic system that had grown up in England since the great industrial revolution that was appalling. And the worst of it was that the picture of the degradation of British labour was drawn for

the most part from the official publications of the British Government and similar trustworthy evidences.\*

The Marxian theory of value was soon shattered by destructive criticism. It is absurd to suppose that Marx discovered certain ideas of value which were neglected by subsequent economists. As it happens, ever since the publication of the *Theory of Political Economy* by Jevons (1871), more attention has been given by economists to the theory of value than to any other part of the subject, not only in England but in other countries.† In England in particular the influence of the first volume of Professor Marshall's *Principles* has given a disproportionate stress to ideas of value. In any modern presentation of the theory of value the contribution of Marx is negligible.

It is still more absurd to suppose that economists wilfully suppressed the teaching of Marx because they were supporters of Capital against Labour. From J. S. Mill onwards the bias, if there has been any bias, has been the other way.‡

\* Cf. Sidney Webb, *Cambridge Modern History*, vol. xii. ch. 23; *Social Movement*, p. 758. See also the works of J. L. Hammond and Barbara Hammond in *British Labour*, 1760-1832.

† See below, ch. vii.

‡ Marshall, *Industry and Trade* (Appendix E, 5), shows that Ricardo and the eminent Ricardian economists were not opposed to the Factory Acts. Even Senior repented his first hasty disapproval.

The *Critique of Political Economy* by Marx, though applicable to some popular perversions of Ricardo, is altogether inapplicable to the modern treatment by any representative writers.

On the practical side also the critique of the capitalistic system had fortunately lost much of its relevancy before the War. The improvement in the last half of the nineteenth century in the conditions of labour, whether estimated by advances in real wages or in the influence of industrial legislation, was in striking contrast to the degradation of the first half.\*

It is observed by Professor Bowley, in his work on the *Changes in the Distribution of the National Income*, 1880-1913, that "land and capital were not in this period able to extort an increasing share of the national income, as the Marxian Socialists anticipated, but rather rendered increasing services for a diminishing share." †

\* Mr. Sidney Webb writes in the Preface to the standard work on the *History of Factory Legislation*, by B. L. Hutchinson and A. Harrison, p. vi. : "The range of Factory Legislation has in fact in one country or another become co-extensive with the conditions of employment. No class of manual-working wage-earners, no item in the wage contract, no age, no sex, no trade, no occupation, is now beyond its scope. This part, at any rate, of Robert Owen's social philosophy has commended itself to the practical judgment of the civilised world." What a contrast to the harvest of class hatred that has been reaped from the social philosophy of Marx ! Marx, no doubt, did good service in calling attention to the industrial evils of the past, but he did nothing to suggest practical remedies.

† P. 25.

## CHAPTER III

### WHAT IS THE PROLETARIAT ?

THE emotional success of Marxism under present conditions is mainly due to a want of clearness, not only in the fundamental conceptions, but in the fundamental facts.

At first sight, it seems as if the term "proletariat" is extended to cover the masses of the people in opposition to a relatively small class of capitalists. The root idea of so-called evolutionary socialism is that by the force of material progress, modern society will be split into two sections—a small section of very rich and a very large section of very poor. The rich become richer—and less numerous—and the poor become poorer and more numerous.

"All previous historical movements," says the *Manifesto*, "were movements of minorities, or in the interests of minorities. The proletarian movement is the conscious movement of *the immense majority* in the interests of *the immense majority*. The proletariat, the lowest stratum of existing society, cannot stir, cannot raise itself up,



without the whole of the higher strata forming official society being sprung in the air."

And again—

"The social conditions of past society are already swamped in the social conditions of the proletariat. . . . Law, morality, religion are for him merely so many bourgeois prejudices, behind which as many bourgeois interests are concealed. The proletarians have nothing of their own to secure. They must destroy all previous securities for and insurances of individual property."

But there is another meaning of proletariat which is much less extensive. What are we to make of the following sentences, which immediately precede those already quoted regarding the proletariat?

"Just as formerly a portion of the nobility went over to the bourgeoisie, so now a portion of the bourgeoisie goes over to the proletariat. . . . The lower middle class, the small manufacturer, the small shopkeeper, the peasant proprietor, all struggle against the *bourgeoisie* to save from extinction their position as sections of the middle class. They are, therefore, not revolutionary but conservative."

The proletariat is, then, something that does not include the classes just enumerated.

"Of *all the classes* that at present stand in opposition to the bourgeoisie, the *proletariat* alone is a truly revolutionary class."

Not only does the proletariat exclude the classes mentioned (lower middle class, peasants, etc.), but the exclusion is also extended to the lowest stratum of society.

"The slum population, that passively putrefying scum of the lowest layers of society, is sometimes set in movement by a proletarian revolution, but its whole conditions of life prepare it rather to sell itself to the reactionary forces."

The sentence already quoted is noteworthy—

"The first step in the working-class revolution is the raising of the proletariat to the position of ruling class, the victory of democracy."

How can the proletariat be identified with democracy when, compared with all the other classes already enumerated, it is in many countries a minority, and at any rate excludes large sections of the population?

"In countries like France," says the *Manifesto*, "where the peasants form much more than half the population . . . there arose a kind of middle-class socialism." This socialism is described as both reactionary and utopian.

If the *Manifesto* is too old, the story told of Clemenceau and Hyndman is apposite: "If our peasants understood what you mean by the nationalisation of land, they would hang you."

The opposition between the peasantry and the

proletariat is brought out in the clearest manner by Kautsky.

" In practice, growing opposition is everywhere revealed between the proletariat and the peasants.\* . . . The revolution has only achieved in Russia what it effected in France in 1789, and what its aftermath achieved in Germany. By the removal of the remains of feudalism, it has given stronger and more definite expression to private property than the latter had formerly. . . . Even the poor peasants are not thinking of giving up the principle of private property in land. . . . That thirst for land which always characterises the peasant has now, after the destruction of the big estates, made of him the strongest defender of private property. . . . The interest of the peasant in the revolution therefore dwindles so soon as the new private property is secured. . . . With his interest in the revolution will disappear his interest in his erstwhile allies, the town proletariat." †

So much for Russia. It is no wonder that Lenin has substituted a *Dictatorship* for any genuine democratic control.

The references by Kautsky to Germany are equally informing on the point now in question, namely, the meaning of proletariat and the classes of the population covered by the name.

" The victory of the proletariat depends upon the extension of wage labour in the country, . . .

\* *Dictatorship of the Proletariat*, p. 118.

† *Ibid.*, pp. 116-117.

a process which is slowly accomplished by the increase of large-scale agriculture, but more quickly promoted by the removal of industries to the country. At the same time, the proletarian victory depends upon the town and industrial population increasing more rapidly than the country and agricultural population."\*

Kautsky then points to the well-known fact that in most industrial states the country population has experienced in recent times not only a relative but an absolute decrease. In the German Empire in 1871 the country population was 64 per cent. of the whole. In 1907, however, the peasant population was only about one-sixth of the whole. "On the other hand, already in 1907, the *proletariat*, with about 34 millions, comprised more than half of the population."†

For the purposes of general emotional propaganda, "proletarian" means democratic, but the real meaning as shown in the passages quoted is much more narrow. It means more frequently the wage-workers in the towns and cities. And not the whole of them, but only those engaged in large industries—the direct victims of Capitalism.

The same uncertainty of definition is found in the use of the opposing term, "bourgeois."

Sometimes it means only the large capitalist. At other times it means all the non-proletarian

\* *Dictatorship of the Proletariat*, p. 119.

† *Ibid.*, p. 120.



classes, that is to say, practically all those who are not wage-earners in large industries.

In Russia apparently the "intellectuals" and the professional classes were branded as bourgeois, and any one decently dressed and not obviously a "worker" was a bourgeois. In general, all the middle classes are branded as bourgeois or petty bourgeois. All those employed in domestic services of all kinds are "parasitic."

The ambiguity of the term "proletariat" is perhaps best seen by reference to one of the most widely circulated pamphlets of Kautsky. On the outside cover it is called, "THE WORKING CLASS (The Proletariat)"; on the first page inside the title and print are readjusted: "THE PROLETARIAT (The Working Class)." Another pamphlet by the same author begins: "This social transformation means the emancipation, not only of the proletariat, but of the whole human race, which is suffering under present-day conditions."\*

Perhaps the best illustration of the uncertainty in the uses of the terms "proletariat" and "bourgeoisie" is found in the *Communist Manifesto* itself. The first section is entitled *Bourgeois and Proletarians*, and in a note appended it is stated that by bourgeoisie is meant—

"The class of modern capitalists, owners of the means of social production, and employers of wage labour; by proletariat, the class of modern wage

\* *The Class Struggle.*

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labourers who, having no means of production of their own, are reduced to selling their labour power in order to live."

But later on the *Manifesto* states that in Germany the petty bourgeoisie class is a relic of the sixteenth century, and is the real social basis of the existing order of things.

The authors of a recent work on National Guilds\* assert that "for a full analysis of the economics of the wage system it is necessary, of course, to go to Marx's *Capital*," but in the chapter on the Middle Class and National Guilds, they are much concerned to show that the middle classes ought to side with Labour against Capitalism.

Those who are emotionally inclined to find salvation in the victory of the "proletarians" and thereby incidentally to make the best of this world for themselves, would do well to find out beforehand in which class they are likely to be put, the "proletarian" or the other.

\* *The Meaning of National Guilds*, by C. E. Bechhofer and M. R. Reckitt, p. 33 n.

## CHAPTER IV

### THE STATE ACCORDING TO MARX

"THE question of the State," says Lenin in the first sentence of the preface to his book, *The State and Revolution*, "is acquiring at the present a particular importance, both theoretical and practical."

In Russia the interest, both theoretical and practical, is centred in Lenin. "Our first task," he says, "is to resuscitate the real nature of Marx's teaching on the subject of the State." \*

What may or may not be the true interpretation of Marx is of little consequence compared with the interpretation given by Lenin himself. That interpretation is perfectly clear in theory, and has been made ruthlessly clear in practice.

On this view the State is the product of the manifestation of the *irreconcilability* of class antagonisms. When, where, and to what extent the State arises depends directly on when, where, and to what extent the class antagonisms of a given society cannot be objectively reconciled. And conversely the existence of the State proves

\* *The State and Revolution*, p. 9.

that class antagonisms *are* irreconcilable. He goes on to show that—

“It is precisely on this most important and fundamental point that distortions of Marxism arise along two main lines. On the one side the middle class (bourgeois), and particularly the lower middle class (petty bourgeois), ‘correct’ Marx in such a way as to make it appear that the State is an organ for the *reconciliation* of classes. According to Marx, the State can neither arise nor maintain itself if a reconciliation of classes is possible. But with the middle classes and philistine professors and publicists, the State (and this frequently on the strength of benevolent references to Marx) becomes a mediator and conciliator of classes.”

According to the real Marx—this is Lenin’s own interpretation—

“The State is the organ of *domination*, the organ of oppression of one class by another. Its aim is the creation of order which legalises and perpetuates this oppression by moderating the collisions between the classes. But in the opinion of the lower middle class politicians, the establishment of order is equivalent to the reconciliation of classes and not to the oppression of one class by another.” \*

The ordinary Englishman must think hard before he can seize the real meaning of this passage. In the War the general idea was that

\* *The State and Revolution*, p. 11.



none were for the Party and all were for the State. On Lenin's view the War was a capitalist war for the support and extension of Capitalism. Capitalism was the State.

Marx (according to Lenin) taught that in every age in which settled government has arisen it has been simply the recognition of the victory of one class, and the legal or constitutional oppression of the rest.

"That the State is the organ of domination of a definite class which *cannot* be reconciled to its social antipodes—this the lower middle class democracy is never able to understand." \*

This, then, according to Lenin, is the *first perversion* of true Marxism. True Marxism is not a method of conciliation but a method of sharpening differences.

The *second perversion* of Marx (according to his most successful and militant prophet) is "more subtle." With Lenin no condemnation of doctrine could be more severe. The pike-staff, not the serpent, is his device. The subtle one who is specially obnoxious to Lenin is Kautsky. Kautsky admits with Marx, "theoretically," that the State is the organ of class domination, and even that class antagonism is irreconcilable. But what Kautsky overlooks (according to Lenin) is that the liberation of the oppressed class is impossible without a violent revolution, and without the

\* *The State and Revolution*, p. 12.

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destruction of the State power which has been created by the governing class.

This inference (*i.e.* the necessity of a violent revolution), says Lenin, was drawn by Marx with the greatest precision from a concrete historical analysis of the problems of revolution. "And it is exactly this inference which Kautsky has forgotten and distorted."

To resume: The Marxist State means the supreme domination of one class over the rest of the society. The State does not mean a system of law and government which aims at securing a reconciliation of the interests of different classes. On the contrary. It does not mean or aim at conciliation. It means and aims at oppression by one class of the remainder.

In the course of historical evolution (on this view) the dominant class has come to be Capitalism. The power of Capitalism is specially directed against the wage-earners who are essential to its continuance and growth. The wage-earners are the proletariat.

The first task of the proletarian revolution is to destroy the capitalist State and to substitute the proletariat State.

This is confessedly the substitution for the domination of one class, namely the capitalist, that of another class, namely the proletarian.

Seeing, however, that the proletarians only include a part of the whole people, how is this

transfer of political power to be reconciled with democracy?

The answer is, that under the proletarian rule the other classes will disappear. All the classes will be merged in one class, *i.e.* will disappear (like Algy in the tiger).

The great principle applied as regards labour is that of Equality. Every one will have to work. Every one will have to work, not for himself, but for the common good. In place of, or rather in addition to, military conscription there will be labour conscription.

As regards the reward for labour, here also the principle will be Equality. Profits will disappear altogether, and the large salaries of the bureaucrats will also disappear.

When the principle of equality has been effectively applied classes will have disappeared.

And with the disappearance of classes the State also disappears. How can there be any State (of the Marxist kind) if there are no classes? The State (by definition) means the domination of *one* class. No classes—no State. Q.E.D. It is as simple as the old Euclid.

If it had not been for the Russian Revolution, with Lenin as the Dictator, this kind of argument would have seemed altogether fanciful. But in Russia, according to all we can hear, all the classes above the proletariat have been reduced to subjection and made to work or left to starve.

In the process of the destruction of the old capitalist State the State function (*i.e.* of oppression) is of necessity taken over by the proletarians.

But as soon as equality has been ruthlessly established and all the classes have been merged, then the need for the State disappears.

This is what is meant by the curious assertion that after the proletarian victory the State will "wither away."

Lenin in his book devotes a great deal of space to the explaining of this "withering away."

The "withering away" process does *not* mean that in the course of time, by a succession of gradual reforms, the capitalist State will wither away. Quite the contrary. Without a proletarian revolution, which destroys the capitalistic State, that State will become more and more oppressive. It will in the end become so powerful and so oppressive that the revolution is inevitable on the usual evolutionary argument.

Whilst destroying the capitalist State the proletarian class itself becomes for the time being a stronger State. It is like a gigantic Efreet in the Arabian Nights which masters another that is less powerful.

But once the second Efreet has conquered the first this second Efreet shrinks or withers away, and may be bottled up and put away in a museum or sunk in the depths of the ocean.



The following passage from Engels is quoted by Lenin as describing the final act :—

“When organising production anew on the basis of a free and equal association of the producers, Society will banish the whole State machine to a place which then will be most proper for it—to the museum of antiquities, side by side with the spinning-wheel and the bronze axe.” \*

“The substitution”—this is the conclusion of the Leninite argument on the State—“of a proletarian for a capitalist State is impossible without a violent revolution, while the abolition of the proletarian State, that is, of all States, is only possible through a ‘withering away.’” †

The same fundamental ideas are more fully expressed latter on in Chapter V. of Lenin's book, which deals with the economic foundations of the withering away of the State.

“Democracy for the vast majority of the nation, and the suppression by force—that is, the exclusion from democracy—of the exploiters and oppressors of the nation” (observe here it is the nation and not merely the proletariat), “this is the modification of democracy which we shall see during the *transition* from Capitalism to Communism. Only in Communist Society, when the capitalists have disappeared, when the resistance of the capitalists has finally been broken, when there are no longer any classes (that is, when there is no difference between the members

\* *The State and Revolution*, p. 19.

† *Ibid.*, p. 26.

of society in respect of their social means of production), *only then* 'does the State disappear, and one can speak of freedom.' " \*

Again, on page 93—

"It is compatible with the diffusion of democracy over such an overwhelming majority of the nation that the need for any *special machinery* for suppression will gradually cease to exist. The exploiters are unable, of course, to suppress the people without a most complex machine for performing this duty; but *the people* can suppress the exploiters even with a very simple 'machine'—almost without any 'machine' at all, without any special apparatus—by the simple *organisation of the armed masses*."

Before going further it is necessary to consider how far this conception of the State is in accord with recognised historical facts or recognised common-sense morality.

The Leninite-Marxian theory of the State in its concentration on the economic conditions of production and distribution overlooks or neglects all the other elements, even the most essential of law and government.†

The abolition of slavery and of all kinds and degrees of serfdom has been associated in the

\* *The State and Revolution*, pp. 91, 92.

† Mr. G. D. H. Cole, *Social Theory*, pp. 146–149, whilst admitting the perversion of economic influences, observes that "under any economic system the State will continue to exercise functions which are not economic."

course of progress with the growth of Capitalism. In its rudimentary form the principle of the economy of high wages led to the discovery that of all labour that of slaves was the most costly except under most simple conditions of industry ; and generally that there will always be some kind of proportion between the work done and the interest or share in the product of the labour.

The development of the principle of the economy of high wages has been associated with a corresponding development of personal freedom and of the great principle of equality before the law.

But this recognition of the economy of high wages, or, in its wider form, of the economic principle of distribution, has not been the only factor in the development of personal freedom and political equality. Far from it. The manumission of slaves was one of the early forms of Christian charity. Christianity in the mediæval period was one of the main sources of law. Even in modern times the actual development of law and government has been greatly influenced by Christian principles. The abolition of slavery in the British Colonies and in the United States of America was not due to the recognition by the capitalists that it would be good business. In the same way, the long series of Factory Acts in England was carried out under religious and moral influences, and not because it was thought



these improvements would pay the capitalist employer. Mrs. Browning's *Cry of the Children* expressed the real feeling of the nation. That Factory legislation paid as a business proposition was a later discovery.

The development of universal education was not due to capitalistic calculation on the efficiency of labour. The capitalist as pictured by the Marxian is a believer only in the evil paradox of low wages.

The extension of the franchise and general increase in democratic control can hardly be cited as a striking example of capitalistic foresight. The real appeal was always to fundamental moral principles regarding humanity.

The mitigation in the punishments attached to crime, especially to violations of the law of property, was not due in the main to any wise recognition that undue punishment really lessened security, but to the fact that it was fundamentally unjust. No doubt economy of punishment was also good business in the protection of property, but that was not the motive power with the juries that refused to convict.

It is impossible to compress the history of the development of law into a short chapter, devoted to the criticism of one phase of Marxism, but a glance over such a work as Sir Frederick Pollock's *First Book of Jurisprudence* will at once show the absurdity of the attempt to reduce the



functions of the State to exploitation by a dominant class of the rest of the community. No doubt the dominant political class has considerable influence, but it is not the only influence, and, in general, not the greatest. How comes it that, as Adam Smith observed, the condition of a slave is, in general, better under a despotism than under a democracy? \*

If we trace the material progress of such a country as England we find a continued increase in the amount and in the forms of capital, and in the part played by capital in effecting this material progress. But the general progress of the country is something quite different and rests on other elements.

The idea of the State that is fundamental in historical progress is not the antagonism, but the reconciliation, of class interests.

The barbarities of the Bolsheviks and the brutal suppression of their opponents have shocked the civilised world far more than their seizure of the instruments of production.

It is significant that one of the first acts of the Leninite Dictatorship was to close the law courts. It is unfortunate that there are no full authentic records of events in Russia that have followed on the destruction of the capitalist State, but it is clear that the economic revolution was only part of the process.

\* *Wealth of Nations*, bk. iv. ch. vii. part ii.

The "organisation of the armed masses"—"the people in arms"—"the armed workers"—what do these expressions really mean? At the best they mean martial law—but without the safeguards imposed in civilised countries even upon martial law. The proper description seems to be, not martial law, but mob law or lynch law.

Parliamentary bodies are to be replaced by "working bodies which both make and apply the laws."\* The old State machinery is to be got rid of. There are to be no permanent officials or bureaucrats. The election to any office by the armed workers is supplemented by the right of immediate recall.

The analogy with lynch law is expressly suggested in the following passage by Lenin:—

"We are not Utopians, and we do not in the least deny the possibility and inevitability of excesses by *individual persons*, and equally the need to suppress such excesses. This will be done by the armed nation itself, as simply and as readily as any crowd of civilised people, even in modern society, parts a pair of combatants or does not allow a woman to be outraged."†

This passage is followed by another which tries to show that the excesses will be comparatively rare in the new earth.

"We know that the fundamental social cause

\* Lenin, *State and Revolution*, p. 119.

† *Ibid.*, p. 93.

of excesses which violate the rules of social life is the exploitation of the masses, their want and their poverty. With the removal of this chief cause, excesses will inevitably begin to 'wither away.' We do not know how quickly and in what stages, but we do know that they will be withering away. . . . Marx, without plunging into Utopia, defined more fully what can *now* be defined regarding this future epoch : namely, the difference between the higher and lower phases (degrees, stages) of Communist Society."

The first of these stages is considered in the next chapter.

## CHAPTER V

### FIRST PHASE OF COMMUNISM

INSTEAD of "the hazy, obscure, general phrase of Lassalle, 'the full product of his labour for the worker,'" Marx, we are told by Lenin,\* gives a sober estimate as to how exactly a Socialist society will have to manage its affairs. Marx is quoted as giving a concrete analysis of the conditions of life of a society in which there will be no Capitalism :—

"We have to deal here not with a communist society which has *developed* on its own foundations, but with one which has just *issued* actually from capitalist society, and which, in consequence, in all respects—economic, moral, and intellectual—still bears the stamp of the old society from the womb of which it came."

It is this—communist society, which in all respects bears the stamp of the old society, that Marx calls the first or lower phase of communism.

This deference to history is interesting, especially after the destruction of the capitalist State.

\* *State and Revolution*, p. 94.



To the ordinary reader, in spite of the concession to history, the first stage will seem pretty well advanced.

The means of production are now no longer private property, but belong to the whole society (that is, to the armed workers).

“Every member of society, performing a certain part of socially-necessary labour, receives a certificate from society that he has done such and such a quantity of work.”

The difficulties concealed in this apparently simple scheme can only be overcome by the use of elastic and variable hypotheses. How are the different forms of labour to be measured by the “socially-necessary” standard? How are the armed workers to decide between the *ca’ canny* and the sweating methods? How are the kinds of labour to be measured? If there are 512 grades of railway men, how many grades are there of all kinds of labour? Even supposing these difficulties surmounted by an appeal to arms, how are the certificates to be issued? How and how often? By the day or the year, by the piece or by the task?

Suppose the certificates are issued and accepted (after peaceful or other forms of persuasion), the next step is for the holder to receive from the public stores of articles of consumption a corresponding quantity of products. Surely we have read somewhere or seen in “some museum of

antiquities " that such a scheme of distribution of labour products by labour certificates was tried and found wanting? Possibly, however, Robert Owen's National Labour Exchange was too small and the compulsion not dictatorial enough.

But before the certificates can be turned into the products of other social labour another preliminary difficulty has to be surmounted. Marx shows that out of the whole of the social labour of society, it will be necessary to deduct a reserve fund for the expansion of industry, the replacement of worn-out machinery, and so on. That is to say, the communist society must lay aside so much of its products as capital. Not only is the old productive capital to be kept going, but provision has to be made for the expansion of industry. Who is to decide how much labour is to be devoted to this provision for the future? An armed assembly is not likely to be very good at this kind of social accounting. The telescopic faculty of the masses is in general not very great. As Dr. Marshall observes, "the State has been a borrower rather than an accumulator of capital."\*

Not only must the means of production be kept up and even increased, but provision must also be made for "the expenses of management," and also for schools, hospitals, homes for the aged, and so forth.

Suppose, however, that the deduction from

\* *Trade and Industry*, p. 65.

immediate consumption has been made to the satisfaction of the greater and lesser assemblies of armed workers, the way is at last open for the presentation of the certificates to the workers for their particular shares. The principle which at first sight seems most equitable is a simple variant of the Right of Labour to the Product of Labour : " Every worker receives from society as much as he has given to it." \*

" Equality" *seems* to reign supreme. Justice *seems* triumphant. Such was the idea of Lassalle. What could seem more just to the workers than the equal right of each to a share of the product in proportion to his labour ?

The Right of Labour to the Whole Produce of Labour has been exhaustively examined in the well-known work of Anton Menger,† the English translation of which has been enriched by an introduction and bibliography by Professor Foxwell. This introduction gives an excellent account of the work of the English Socialists of the early part of the nineteenth century, and incidentally is of special interest in showing how much Marx was indebted to them for some of the ideas in which he used to be credited with originality. Professor Foxwell calls attention to the preface by Marx to his first instalment of *Capital* (*The Critique of Political Economy*), and observes that

\* *State and Revolution*, p. 95.

† *The Right to the Whole Produce of Labour*.



the complete absence of any reference to the English School is remarkable. Menger also writes—

“Leaving out of account the mathematical formulæ by which Marx rather obscures than elucidates his argument, the whole theory of surplus value, its conception, its name, and the estimates of its amount are borrowed in all essentials from Thompson’s writings. . . . In all these respects Marx is far inferior to Thompson, so that the work of the latter may be regarded as the foundation stone of Socialism.” \*

We are now concerned, however, not with the full development and critique of this right of labour to the product of labour, but with the Marxian criticism of it as interpreted by Lenin. The point is that such a right involves not *equality* but *inequality*.

The first phase of communist society (we are told) *only* destroys the injustice that arises because the means of production are in the hands of private individuals.

“*It is not capable* [the italics are Lenin’s] of destroying at once the further *injustice* which is constituted by the distribution of the articles of

\* *The Right to the Whole Produce of Labour*, pp. 101-102. William Thompson (1783 (?) to 1833) wrote *An Inquiry into the Principles of the Distribution of Wealth most conducive to Human Happiness*. First published in 1824. New editions, 1850 and 1869.



consumption according to the 'work performed' (and not according to need)." \*

Lenin has the great merit of making his meaning perfectly clear. He is not afraid of repetition. He believes in hammer blows. He seems fully aware that Marx, to be made practical, must be made emphatic. He goes on to say—

"Marx, not only, with the greatest care, takes into account the inevitable inequalities of men" (*i.e.* in abilities, etc.); "he also takes cognisance of the fact that the mere conversion of the means of production into the common property of the whole of society—'Socialism' in the generally accepted sense of the word—*does not remove* the shortcomings of distribution and the inequality of 'bourgeois justice' which continues to exist as long as the products are divided according to the quantity of 'work performed.'" †

To resume: After the military power of the old State is destroyed the first step is to abolish private property in the means of production. The riches are taken from the idle rich and the rich themselves are compelled to work like any common proletarian. "He who does not work neither shall he eat." ‡

The second step is to secure "for an equal quantity of labour an equal quantity of products." ‡ This is supposed to be realised though the

\* *State and Revolution*, p. 96.

† *Ibid.*, p. 96.

‡ *Ibid.*, quoted p. 97.

measurement of the equality of the different kinds of labour must obviously be difficult.

Even if the measurement can be effected there is the difficulty of the apportionment of the tasks and the corresponding rewards.

Authority is needed at every stage.

"If we are not to land in Utopia we cannot imagine that, having overthrown Capitalism, people will at once learn to work for society *without any regulations by law*; indeed, the abolition of Capitalism does not *immediately* lay the economic foundations for such a change. And there is no other standard yet than 'bourgeois law.' To this extent, therefore, a form of State is still necessary, which, whilst maintaining the public ownership of the means of production, preserves the equality of labour and equality in the distribution of the products. The State is withering away in so far as there are no longer any capitalists, any classes, and, consequently, any *class* to suppress. But the State is not yet dead altogether, since there still remains the protection of the 'bourgeois law' which sanctifies actual inequality. For the complete extinction of the State complete Communism is necessary." \*

Even this *first stage* of *Communism* apparently has not yet been realised in Russia. Mr. W. T. Goode, the author of *Bolshevism at Work*, is certainly not inclined to underrate the success of Bolshevism. His admissions of incompleteness

\* *State and Revolution*, p. 97.

may be taken as not going too far. We may accept the assurance of the author that he was not in any kind of collusion with Lenin for propaganda purposes, but it is probably also true that there is nothing in the book to which Lenin and his colleagues would object.

It is, then, rather startling to find this very favourable witness saying in his final chapter of Conclusions—

“It is usually said that they” (*i.e.* the Bolshevik leaders) “are engaged in setting up a system of Communism. They are no such fools. They are fully aware of the impossibility of such an immediate change : and, as Lenin says, ‘the Communist who wishes to set up a Commune now is no Communist.’” \*

The reason for thus going slow in the process of Communist reconstruction is explained by other admissions.

“As for the spirit of the people, I have said that I have not found the millennium, but I find at the back of this Government a mass of the workers solidly. Of the peasants *one-third* supports the régime, another third will probably find that *its interests* rest with the success of the present system. Of the educated classes a portion, a minority, works harmoniously with the Soviet rule, for they see that it is neither mean nor base, but honestly striving for a new,

\* Goode's *Bolshevism at Work*, p. 119.



wholesome, and happier social system. The *greater part* of them are resentful or hostile." \*

In another place Mr. Goode says that the number of employ  s of the elaborate organisations of the Commissaries is enormous, and among them are many former bourgeois, though naturally the heads of departments and of sub-departments are in the hands of convinced supporters of the Soviet rule. The minority of the educated class who work harmoniously with the Soviet rule are presumably the bourgeois who have found employment in the new bureaucracy. Their acceptance of the principle of Communism may perhaps be compared to the acceptance by the father of Karl Marx of Christianity, when that religion was made compulsory for German officials.

The case of the peasants is more important as bearing on the spirit of the people.

"Russia," as Mr. Goode himself says, "in spite of the industrialisation of many towns and the partial industrialisation of some countrysides, is yet a land of peasant farmers, many millions in number, and the question of the land is the question *par excellence* by which Governments have fallen and by which Governments will stand."

If, then, only one-third of the peasants are said to support the new r  gime, and only another third can be reckoned as probable supporters

\* *Bolshevism at Work*, p. 140.



"because they will find their interests rest with the new system," it is surely pretty plain that the majority of the Russian people have not yet accepted even the first stage of communism. To say that "the workers took power and imposed their will, *the rule of the majority*, to be continued as long as necessary"\* is a curious example of modern political arithmetic.

Other facts show the shortcomings from the Marxist standpoint even of the first stage.

The labour certificates, which are supposed to guarantee equal rewards of products for equal labour, are in reality simply paper money which is constantly depreciating by continued over-issues. Labour still receives money-wages and has to convert them into real wages with ever-rising prices.

"The Regulations of Tariffs—*i.e.* rates of pay—represent an immense labour in classifying and grading occupations and providing for appropriate rates of pay—a practice which knocks on the head the idea of the Soviet Republic as a place where all are on one level, receiving one and the same remuneration. Indeed, it is far otherwise, and the minute gradation of these tariffs is one of the sources of labour troubles; they are too fixed and so allow no margin for the vaguer cases where one grade shades off into another." †

\* *Bolshevism at Work*, p. 122.

† *Ibid.*, p. 94.

This vagueness is, however, a minor difficulty compared with the fundamental trouble of the adjustment between quite different grades of labour.

Consider the case of the peasantry—the majority of the manual workers in Russia. In the development of Marxian doctrines in Vol. I. of *Capital*,\* the peasants are regarded as living in a kind of golden age before the advent of Capitalism. Each had the product of his own labour. What is the position under the first stage of the beginnings of communism?

“A good deal has been made of the taking of the crops by the Commissaries of the people, and of the results on the peasants, and I was careful in inquiry on the point. A certain norm is fixed and a sufficiency of corn is allowed for the needs of the farmer and his family, the transaction being settled by the Commissariat of Food which also regulates the reservation to be made for the supply of seed corn. The *balance* goes to the State monopoly in exchange either for goods or money” (*i.e.* paper). “As the State is also the proprietor of all the industries, the nature of the transaction can be seen. The price paid is a fixed one made by the Food Control, which has to take into consideration the conditions prevailing in the locality—the cost of production and the prices of industrial products in the district

\* But see below, ch. xi., on the treatment by Marx of peasant properties in Vol. III. of *Capital*.

concerned." \* It is instructive to note that the *full* balance has nowhere been yet secured by the Commissaries, much being hidden and held up with a view to possible speculation in prices.

A very interesting illustration of variations in the balance is given. When the military forces opposed to the Soviets happened to gain, there was a falling off in the balance forthcoming for the Soviets, and *vice versa*. The reality of the Communist spirit amongst the peasantry seems very doubtful.

The attitude of the peasants is summarised as follows :—

The rich peasant is hostile to the decrees and the policy of the Soviet. With the middling class peasant it is the policy of the Soviet to work in a spirit of friendly co-operation. As for the poor peasant he is most susceptible to all that affects the ownership of land. He has received a share in the confiscated large estates and what he has got he means to hold. The more he feels secure in his new holdings the less favourable will he be to any form of communistic sharing with the town workers. †

With regard to the immense State forests the Supreme Council of the People *has no objection to the granting of concessions to outside people for exploitation.* ‡

\* Goode, pp. 44-5.

† See Goode, p. 45.

‡ *Ibid.*, p. 47.

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The final stage of communism seems altogether too far off to be worthy of much consideration for practical purposes.

It is, however, illuminating as regards the ideas and the ideals of fully developed Marxian communism. "*From each according to his ability ; to each according to his needs.*" Such a full-bodied sentence deserves a separate chapter.



## CHAPTER VI

### HIGHEST PHASE OF COMMUNISM

"THE State," says Lenin, in his interpretation of Marx, "will be able to wither away completely when Society has realised the formula: 'From each according to his ability; to each according to his needs'; that is, when people have become accustomed to observe the fundamental principles of social life, and their labour is so productive that they will voluntarily work *according to their abilities*. The narrow horizon of bourgeois law, which compels one to calculate, with the pitilessness of a Shylock, whether one has not worked half an hour more than another, whether one is not getting less pay than another—this narrow horizon will then be left behind. There will then be no need for any exact calculation by Society of the quantity of products to be distributed to each of its members; each will take freely 'according to his needs.'" \*

By way of preliminary to this account of ideal communism two of the oldest objections are got rid of in the simplest fashion. *First*, as regards freedom we read—

\* *State and Revolution*, p. 99.

"Only now can we appreciate the full justice of Engels' observations when he mercilessly ridiculed all the absurdity of combining the words 'freedom' and 'State.' While the State exists there can be no freedom. When there is freedom there will be no State." \*

A reference to "merciless ridicule" is a poor method of dealing with the great principle of freedom under the law. Contrast the attitude of Mill. We must compare, says Mill, ideal individualism with ideal communism when we are dealing with the general principles, and then the practical choice between the two ideals will depend on which of them in practice allows really the fullest liberty to the members of the society. "The difficulties of communism would be as dust in the balance" *if* the present system of necessity involved all its present abuses.

Who would say that the discipline of labour under Bolshevism has added to the real freedom of Russian labour?

*Secondly*, as regards production under communism, the old objection that without self-interest there will be no sufficient spur to work is met by a simple denial—

"We have a right to say, with the fullest confidence, that the expropriation of the capitalists will result inevitably in a gigantic development of the productive forces of human society." †

\* *State and Revolution*, p. 98.

† *Ibid.*, p. 98.

It is added, however, that "how rapidly this development will go forward . . . this we do not and cannot know."\*

These and other fundamental economic objections to communism in practice are too well known to need further emphasis. Here it is of most importance to observe that not only is the ideal of communism set up without comparison with other ideals, but it is set up as if its merits were self-evident and indisputable. The motive power for this self-abnegation is also left to the moral imagination of the reader. The appeal is really simply to the force of habit under progressive socialisation of institutions. In the course of time all the people are supposed to acquire "the habit of self-sacrifice" just as now some of them acquire habits of personal extravagance of various kinds.

After setting up the communist ideal in the final phase, Lenin observes—

"From the capitalist point of view it is easy to declare such a social order 'a pure Utopia.' . . . Even now, most bourgeois '*savants*' deliver themselves of such sneers, but thereby they only display at once their ignorance and their material interest in defending Capitalism. Ignorance—for it has never entered the head of any Socialist 'to promise' that the highest phase of Communism will actually arrive, while the *anticipation* of the great Socialists that it *will* arrive, assumes *neither*

\* *State and Revolution*. See Appendix to ch. v.

*the present* productive powers of labour, nor the *present* unthinking 'man in the street' capable of spoiling, without reflection, the stores of social wealth and of demanding the impossible. As long as the 'highest' phase of Communism has not arrived, the Socialists demand the *strictest* control, *by Society and by the State*, of the quantity of labour and the quantity of consumption; only this control must *start* with the expropriation of the capitalists with the control of the workers over the capitalists, and must be carried out, not by a Government of bureaucrats, but by a Government of *the armed workers*." \*

Even in this section of his work, which professedly deals with the highest phase of communism—which, as just explained, is not even a promised land, so ideal is its essence—Lenin objects to the capitalistic critics that they substitute their disputes and discussions about the far future for the essential imperative questions of *the day*: the expropriation of the capitalists, the conversion of *all* citizens into workers and employees of *one* huge syndicate—the whole State—and the complete subordination of the whole of the work of this syndicate to a really democratic State, and to the *State consisting of the Councils of the Workers' and Soldiers' Deputies*.

\* *State and Revolution*, pp. 99-100.



## CHAPTER VII

## THE MARXIAN THEORY OF VALUE

IT was observed by J. S. Mill, in the beginning of his treatment of the Theory of Value, that the subject fills so important and conspicuous a position in political economy that, in the apprehension of some thinkers, its boundaries confound themselves with those of the science itself. Some writers, he says, have called political economy the science of values.

Mill himself objects to this narrowing down of the scope of political economy, and maintains, in effect, that there are parts of the subject in which the ideas of value are not predominant. If we apply the historical method we see that, for long periods, the production and the distribution of the wealth of nations rested only partially on exchange. The village community and feudalism carried on production and distribution under conditions, determined by status, that were subject to very slow change. Law and custom with the force of law practically determined the tasks of labour and the rewards of labour—that is to say, of the masses of the population.

But apart from this historical criticism, Mill asserts generally that the conditions and laws of *Production* would be the same as they are if the arrangements of society did not depend on exchange or did not admit of it. The Socialist State in its most highly developed form would have to arrange for the adjustment of food supplies and other necessities to the population, for the varied conditions that operate on the efficiency of labour, and for the provision of the forms of capital that are necessary for the continuance of production and for the satisfaction of the public needs by various quasi-permanent forms of wealth which are now commonly called consumption-capital—*e.g.* houses, parks, gardens, museums, schools, etc.

The Socialist State would have to take care that the natural resources of the land and other natural agents and powers were not exhausted, without corresponding replacement and reparation.

As regards the *Distribution* of the continuous flow of products made by the land, labour, and capital of the country under appropriate organisation, Mill is still more emphatic that the particular method of distribution with which we are familiar, which in effect depends very largely on a series of contracts expressed in terms of money, is not the only possible scheme. After examining typical forms of communism, Mill observes in one

of the most frequently quoted passages of his work : "Whatever be the merits or defects of these various schemes, they cannot be said to be impracticable."

Even under our present system, he was of opinion that the laws governing the acquisition of property by inheritance and bequest ought to be subjected to very great changes. It is clear that the distribution not only of permanent forms of wealth, such as land, and the forms of fixed capital, but even that of the perishable commodities depends largely on these laws of inheritance and bequest. The nature of these laws is affected only indirectly and to a limited extent by the conceptions of value.

In Peru, before the Spanish Conquest, a large population was maintained in a high degree of material comfort without any system of exchange. Division of labour was extended, the means of communication were developed, large stores of supplies were kept up to the national requirements, without the application of any of our ideas of value.

The difficulty for the modern socialist in the Peruvian example is the nature of the dominant authority. Instead of democracy there was a kind of theocracy. The Incas, the ruling class, were supposed to be really super-men—the children of the Sun and not of the Earth. The trouble about the dictatorship of the proletariat is

that the dictators are children of the earth. The Peruvian rulers, it is true, inflicted severe punishments in the case of need, but the cases of need were infrequent. This sun-god habit had become firmly established. The civilisation introduced by the Spaniards was a retrograde movement for the masses. The bringing in of ideas of exchange-value was like the introduction to some primitive people of a disease from which civilised nations by long habit had become largely immune.

In recent times, especially in England, this large view of political economy that had been enforced by Mill, has given place to an over-emphasis of value.

In spite, however, of his insistence on the breadth of the economic field, which is not to be hedged about and criss-crossed by the theories of value, Mill admits that in a modern industrial society, which is entirely founded on purchase and sale, the question of value is fundamental.

In a notable passage he also goes on to say—

“Happily there is nothing in the laws of Value which remains for the present or any future writer to clear up; the theory of the subject is complete; the only difficulty is of so stating it as to solve, by anticipation, the chief perplexities which occur in applying it, and to do this some minuteness of exposition and considerable demands on the patience of the reader are unavoidable.”



J. S. Mill was unrivalled in the power of exposition of established theories. This very clearness of exposition was also of service in suggesting new lines of development. The attention was not too much taken up with trying to understand the meaning of the established theories.

With Marx it was otherwise—especially on the theory of value. His exposition and criticism of former theories of value was by no means clear. He was always striving to emphasise differences, rather than to bring out agreements, with his own theory. In fact, he made no real advance—he did not even get so far as Mill—but rather turned aside into bypaths that led backwards. According to the latest writer on mediæval economics, Marx had not got so far as Aquinas in the analysis of value.\*

And as it happens, in spite of Mill's famous declaration of the completeness of the theory of value with "nothing left for subsequent writers to clear up," it is precisely this part of economic theory that has received the greatest attention and has been subjected to most change.

In this country, Jevons began to recast the whole theory of value, and in every country since his time the theory of value has been the principal subject of economic criticism and reformation.

\* *An Essay on Mediæval Economic Teaching*, by George O'Brien, pp. 111-118.

But in this development and exposition the theory of Marx has had practically no influence. Marx was not the Darwin of political economy. If Marx had really made some great original discovery on the most fundamental theory of economics—such as was made by Cournot\* in 1837—it would have been impossible for his work to have been set aside and neglected. Any impression made by *Capital*, first published in 1867, was not due to the theory of value expounded with such diffuse obscurity in the first part of the book, but to the fervid attack on the capitalistic system, as revealed especially in England in the first part of the nineteenth century.

This view is confirmed by reference to Marx's earlier work on *The Critique of Political Economy*. This book dealt specially with the theory of value and the theory of money. "Nothing," writes Loria, "could be more natural than the tone of hopeless discouragement with which the volume was greeted even by the author's most devoted friends." †

The same writer speaks of the incurable contradictions in which the author's fundamental theory is involved, as given in *Capital* itself. "The theory we are discussing," he says, "is peremptorily refuted, or is reduced to absurdity."

\* Dr. Marshall specially acknowledged his indebtedness to Cournot in the Preface to his *Principles of Economics*, vol. i. (First Edition, 1890.)

† *Karl Marx*, p. 58.

Yet Loria bestows on the genius and the work of Marx as a whole the most extravagant praise.

"Whether praised or accepted, or despised and rejected, by practice or by theory, by history or by reason, he will always remain the emperor in the realm of mind, the Prometheus foredestined to lead the human race towards the brilliant goal which awaits it in a future not perhaps immeasurably remote. For the day is coming." \*

The day has arrived in Russia, and the whole world is waiting to see what the end of the day will be.

The theory of value, as expounded by Marx, instead of being an advance is a retrogression. Any importance practically that may be ascribed to the Marxian theory of value is emotional. It pretends to give a scientific basis to his main contention that Capitalism means the continuous exploitation of labour.

According to Marx the value of everything depends on the labour sunk in it. Of this value as much as is necessary to keep up the supply of labour is given to labour and the rest goes as surplus value to capital.

This theory of value is closely analogous to the theory of Henry George on the rent of land. Henry George tried to make out that rent absorbed all the surplus values created by labour.

\* *Karl Marx*, p. 91. See also above, ch. i.



Hence Progress meant Poverty. George's theory was shattered as soon as it was analysed and stripped of its rhetoric. It was also shown by glaring elementary statistics that rent only absorbed a fraction of the progressive wealth of society.

But the emotional effect of the Georgian theory remained long after the theory was shattered. It was one of the forces which led to the attempt to catch the unearned increments of land in the disastrous Land Clauses of the Finance Act of 1909. Henry George is partly to blame for the shortage of houses—he provided some of the emotional force that moved the politicians. In the same way the Marxian theory of value is partly to blame for the shortage of everything in Russia. The Marxian theory was supposed to prove scientifically the continuous robbery of labour by capital, and the consequent need for a revolution.

Most people are obliged to take their science of all kinds on trust. They are always specially ready to accept scientific theories that seem to confirm their own unscientific beliefs.

Labour is very ready to believe in the universal exploitation by capital. The first stage of the scientific proof is to mix up this exploitation with evolution. Marx is called the economic Darwin. The final stage in this scientific proof is the Marxian parade of arithmetic and algebra.



The appeal to evolution is thus clinched by the appeal to mathematics.

In truth the mathematics is even more illusory than the Darwinism. It is on a par with the maps and charts and ciphers put into the novels about the treasures hidden by pirates. The algebra of Marx compared with the algebra of Cournot—the true genius in the application of mathematical ideas to economics—is as the charts of the pirate romances compared with the charts of the Admiralty.

The Marxian theory of value has already been so well exploded that a short résumé of its defects ought to suffice to cool down the emotional fervour—the only part of any practical force.

As regards the *meaning* of value Marx accepts the distinction, so clearly drawn by Adam Smith and repeated by other economists down to Mill, between value in use and value in exchange. But he has no idea of the development of the theory of utility, or value in use, to which so much attention has been given from Jevons onwards. This theory of utility has no doubt been overstrained by the Austrian school (and others), but the vital distinction between Total and Marginal utility has been accepted as a real advance.

Marx unfortunately was too early to be influenced by the new theory of utility in his first volume and he died before the theory was generally accepted and understood.

But he was not too early to understand the theory of value as it was left by Mill, for Mill's *Principles* was published nearly twenty years before the first volume of *Capital*.

But even as regards the meaning of exchange value Marx does not get so far forward as Mill, and since Mill the fundamental ideas at the root of exchange value have been made still more clear.

Value in exchange means the power of exchange which any one thing has as compared with one or more other things.

In this sense the exchange value of anything may be expressed in an endless number of ways. In practice exchange value is generally expressed in terms of money. In this case the value of a thing means its price.

But for some purposes it is more convenient to express values in other ways. The value of gold, for example, has to be expressed in terms of its general purchasing power as shown by some method of index numbers. The price of a lump of gold under normal conditions is fixed—it simply means the number of standard coins to be made out of the lump of gold. An ounce of gold (with the fixed proportion of alloy) makes in England three full sovereigns and about seven-eighths of a sovereign. The value of gold—meaning its purchasing power—varies with every movement in the prices of commodities.

All this is elementary, and in parts of his writings is accepted by Marx.

But in other parts of his work it is clear that Marx has never got rid of the old idea of the *reality* of value in terms of labour. He thinks that the real values of all things must be measured by the labour sunk in them.

To measure the values of things in terms of labour would obviously be impossible unless we can reduce all the kinds of labour to one common kind. This leads up to the idea of "socially necessary labour," which is quite unintelligible unless expressed in unreal hypotheses.

But labour with Marx is not only the real measure but the real determinant of value.

If, however, labour as the real measure of value is absurd, labour as the sole real determinant of value is still more absurd.

The exchange values of things, whether we take long periods or short periods, depend on a variety of real causes, and any change in one or more of them will bring about a change in the resultant value of the thing.

Amongst these causes is the amount of labour required to produce the thing.

In general in any product there are very different *qualities* of labour concerned.

And not only is labour required, but all sorts of auxiliary capital.

In practice the only way of reckoning up the



contributions of these various factors of production is to take their money prices. The relative values no doubt depend on the quantities and the efficiencies of these real forces of production, but they are measured in terms of prices.

Modern business is run by elaborate methods of costing in which the contributions of the various factors to the compound result are estimated.

Marx attempts to reduce all the elements of cost to quantities of labour by making the assumption that capital in all its forms is congealed or crystallised labour. This means that in the creation and maintenance of all the varied forms of capital, all that we have to look to is the amounts of labour required.

The absurdity of this position is considered in the next chapter on the accumulation of capital and again in the chapter on profits.

Not only is the Marxian theory of value absurd in its analysis of cost—in its attempt to reduce all costs ultimately to “units of socially necessary labour”—but it is still more absurd from the modern point of view, because there is no appreciation of the fact that cost itself only operates on values through demand and supply.

Ricardo and his followers paid too much attention to supply and cost, and Marx follows their lead.

In the modern treatment of value the attention is equally directed to Demand. Demand and



Supply both operate not only as regards finished products, but also as regards the various factors of production.

Demand and Supply determine not only the temporary oscillation of market prices, but also the long-period variations in normal (or natural) values.

In every case Demand is as vital as Supply.

Whatever the cost of a thing may have been, if the demand falls off, the value also falls off.

The cost of reproduction or the possibility of new supplies being forthcoming no doubt affects the present demand.

In order that the supply of anything may continuously flow on from year to year—and meet the normal demand—the different factors of production must each receive its adequate reward.

If by substitution there is no demand for any particular factor of production that factor loses its value.

The normal price of a thing is that price which, under the normal conditions of demand, year in and year out, suffices, when split up, to remunerate the varied agents of production.

Under the changing conditions of modern industry the contributions of the various agents to the finished product are subject to change. The normal demand is also subject to change, according to changes in the habits, tastes, and, above all, in the means of the demanders. But

there is a constant striving to adjust the means of production to the effective demand.

It may perhaps be proved to the satisfaction of the voters of this country that instead of demand being recognised as the guide of production—*i.e.* demand as expressed by the customers to the retail traders and by them to the wholesale merchants—a universal system of rationing under a supreme bureaucracy should be adopted.

It may perhaps also be proved to the satisfaction of the varied sets of producers, including the varied forms of labour, that another branch of this supreme bureaucracy ought to determine how the labour is to be distributed, and how much is to make appliances, and how much is to use the appliances, and so on.

These things are conceivable. Russia has shown that the task may be attempted. In the first stage of communism, in a world of that kind, values may be determined by labour certificates, and the certificates be made out in terms of "socially necessary labour." All these things are conceivable to persons of lively imagination and enthusiasm.

But that is not the question in the Marxian theory of value. That theory is preliminary to the communist revolution. It is intended to give a true analysis of actual conditions which themselves have been evolved out of the material conditions of former history.

The Marxian theory of value is meant to show that the values of things are actually determined by their labour costs—direct and indirect. That is the first part of the Marxian theory. The second part is that only a fragment of this value goes to labour as a reward, whilst the rest—presumably by far the greater part—goes to capital. The third part is that capital is continuously robbing labour of its just reward, and out of this robbery piles up more and more capital to exploit more and more labour.

If the Marxian theory of value were in the main sound it would no doubt make out a *prima facie* case for a change of management.

As an analysis, however, of the present system it is not only false but grotesque, as is shown in the following chapters on the accumulation of capital and the relations of profits and wages to capital.

## CHAPTER VIII

### ACCUMULATION OF CAPITAL

MORE than a fourth part of Marx's *Capital*, Vol. I., is devoted to the *Accumulation of Capital*.\*

The characteristic of the treatment by Marx is that he exaggerates the evils and abuses that have been associated with the growth of Capitalism and underrates or ignores the compensatory advantages and benefits.

As already observed the development of Capitalism in England after the Industrial Revolution was marked by very great evils. These evils were fully admitted by the present writer in an Essay on the *Effects of Machinery on Wages*, first published in 1878. In the general conclusion it is stated—

“ In reference to the *past*, for fifty years after the introduction of the improved processes of production which marked the commencement of the era, *i.e.* after the Industrial Revolution, the working classes instead of benefit undoubtedly received injury. The civilised nations, England

\* *Capital*, vol. i. pp. 577-591 of Sonnenschein's Edition.



in particular, had developed forces they could not control." \*

Again, it is written †—

"England's apparent prosperity was like the luxurious vegetation which arises from the poisonous swamps of the Tropics ; at a distance, to the casual observer, her trade thrived and prospered, but below it rested on the absolute misery of the inhabitants."

In other historical periods there were other evils associated with the growth of Capitalism which again are marked in the social history of England. There were, for example, the periods of the Enclosures, and even before the first enclosures there were the conditions that led up to the great Peasant Revolt in the fourteenth century. "When Adam delved and Eve span, Who was then the gentleman?"—gives the essence of the popular feeling. "Each man shall live by his travail, Who doeth best shall have most mede"—gives the ideal.

Before this Peasant Revolt the most grievous incidents of serfdom had been got rid of. Serfdom had been gradually broken down and mitigated and serfdom itself was an amelioration of former agrarian slavery.

It is easy to find examples of the evils of Capitalism down to our own times.

Fortunately, however, the history of the

\* *Effects of Machinery on Wages*, p. 132. † *Ibid.*, p. 47.

growth of Capitalism is not all of it a black record of evil. On the contrary, the growth of Capitalism through the ages has also been one of the agents in the general advance of civilisation.

Marx omits altogether any consideration of these beneficial influences in his historical picture.

It is true that the theoretical treatment of the accumulation of capital by economists before the time of Marx was often too optimistic. The moral justification of profits and the supposed harmonies of labour and capital were often overstrained. Some of the English economists, neglecting their Adam Smith, who was always a great historian, adopted too exclusively the abstract deductive method of treatment. In this treatment they isolated certain forces and forgot to introduce the "disturbing causes" which sometimes were of more importance than the original causes themselves.

The greater the writer, however, the less he failed to show that the so-called pure economic principles were only true under certain conditions and were liable to be modified in practice. It was the political economy made easy for popular consumption by the inferior minds that opened the way for the attacks of Carlyle and Ruskin on the dismal science.

But even the most abstract deductive economists were not playing with bombinating chimeras.

The causes they emphasised so much were after all real causes.

Marx, in his critique of orthodox political economists, left out of sight the elements of truth and strength in their teaching in order to bring out the weaknesses and inconsistencies.

In his account of the *Accumulation of Capital* Marx is led away by his fixed ideas on revolution. The other side had stated their case for Capitalism and the existing order. The political economist in his view was "the sycophant of capital." \* Marx regards himself as the great judge-advocate for labour and the prophet of revolution.

The central idea in the Marxian account of the Accumulation of Capital is the exploitation of labour.

The normal value of everything in his view depends on the quantity of labour sunk in it. But only part of this value is given as a reward to labour. A large part is seized by the owners of capital. The wage system is a kind of disguised slavery. "Wagery is slavery" is the latest jingle. Capital leaves to labour just enough to keep up an efficient supply of labour—and willingly leaves no more. It is the same as when the slave-owners gave their slaves enough to keep up the human stock in a fit condition for work.

At this point a word of caution must be

\* *Capital*, vol. i. p. 791.

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introduced in regard to some popular criticisms of Marxism.

Marx does not fail to recognise the uses of capital in production. He expresses quite clearly the old learning on the need for auxiliary capital and for the concentration of capital in connection with the development of the division or association of labour.

In the beginning of his treatment of Accumulation he states—

“The conditions of production are also those of reproduction. No society can go on producing, in other words, no society can reproduce, unless it constantly reconverts a part of its products into means of production. . . . Hence, a definite portion of each year's product belongs to the domain of production. Destined for productive consumption from the very first, this portion exists, for the most part, in the shape of articles totally unfitted for individual consumption.” \*

Labour power must be devoted to the continuous upkeep of the means of production, if the flow of consumable goods is to be continuously forthcoming.

In the same way, if the flow of such goods is to be increased there must be a corresponding increase in the forms of auxiliary capital.

If there is to be an increase in the wealth of the people more than in proportion to the increase

\* *Capital*, vol. i. p. 578.



of numbers, if there is to be continued improvement in qualities of things and continuous substitution of new forms of wealth for old, there must be corresponding changes in the forms and amounts of the productive capital just as in the forms of productive labour.

Capital and labour are inextricably intertwined in the progress of production.

Many passages might be quoted from Marx in which he assents to these general propositions regarding the connection of labour and capital.

Where he fails, and fails to the point of contradiction, is in the assumption that the creation and reproduction and increase of capital involves no more than a continuous robbery of labour. The owners of capital take from labour—such is his argument—not only as much as will provide the requisite capital (*i.e.* production capital) from the social point of view, but they take a great deal more.

They compel labour to provide for them a flow of special luxuries and also to keep up the capital necessary to continue these luxuries.

This kind of social robbery is at any rate easy to understand and also easy to condemn morally. As observed more than once already in these pages—it is indeed a kind of recurring *leit-motif*—the ostentatious luxury of the war profiteers is one of the great incitements to the present revival of Marxism.

But Marx makes another charge against Capitalism that is of very different validity both intellectually and morally.

Capital (he says) seeks to provide only *commodities for sale*. It cares nothing for their social uses. To make anything that will sell at a profit—anything that will fetch more than enough to pay the labour bill and to keep up the capital—to add pound to pound of profit, and out of these profits to add pound to pound of new capital—that is the way in which the capitalist slave power is continued and increased.

In this growth of capital production is carried on more and more by large-scale industries, and the greater industries absorb or devour the lesser. The greater they become the more they are dominated solely by the idea of money-making—first money-profit, then money-capital.

This money-making on a larger and larger scale is supposed to be accompanied by an increasing exploitation and robbery of labour.

The root idea being robbery, it is as if the robber bands were replaced by organised robber armies. Capitalism is a gigantic robber state with international connections.

The fatal weakness in this position is that no attention is paid to demand. How can we have large-scale production without large-scale demand? What is to become of the products of

the large capitals unless they are distributed amongst the masses of the people?

There can be no profit unless there is a demand for the things made to sell. It is not enough to make the goods. The goods must be got into the hands and the stomachs of the consumers.

This neglect of the vital element of demand vitiates the whole of the Marxian argument against Capitalism.

In his supposed golden age—when every peasant lived of his own and exchange was simple barter—the producers only thought of the uses of things. Value in use was their guide. But as Capitalism was developed more and more things were supposed to be made, not for use, but for sale; not to satisfy the needs of mankind, but to make profit.

But how can things be sold if they do not satisfy a demand? And how can any demand arise for anything unless the thing satisfies some desire or in effect has some use-value?

Herein we see the contrast between the ancient forms of slavery and the modern forms of wage-earners.

Nobody knows by what engineering methods and ideas the Pyramids were built, but every one knows that the labour of construction was forced labour and that this labour was fed by other forced labour devoted to the land.



The labour that built the Pyramids was not paid out of the price of the product.

Contrast a modern factory or railway built by private enterprise. The factory or the railway cannot be built unless, when completed, it satisfies large-scale demands.

New factories and new railways can only be built if, beforehand, there is capital available. The bare hands of the labour would do part of the work, but only a small part.

In modern industry wages are paid out of the price obtained for the product. There is a continuous flow of products from the great factors of production—land, labour, and capital—and these factors, to get their best effect, need corresponding organisation.

The reference to organisation brings to light another fatal defect of the Marxian analysis of the capitalistic system.

The only organisation he recognises is the established routine of foremen and managers of departments. He takes no account of the constant adaptation of new economies and of the creation of new industries and new methods.

On his view the capitalist contributes nothing to the product of the labour. He only takes a share of that product. Some of the product he has to give to labour—to replace the material of the requisite labour power. Some of it he has to give to people engaged in the distribution of the



products—the mercantile classes, wholesale and retail. These classes not only get their share in the original surplus value created by the labour, but they also get something extra by still further plundering productive labour of its miserable payment.

Commerce on the Marxian analysis is also, like capitalist technical production, organised robbery.

Marx has no real appreciation of the services of commerce—no real understanding of the nature of commerce. He is blinded by the obsession of organised robbery. He sees only the diseases of commerce and overlooks the living forces which enable commerce to throw off the diseases or to neutralise their effects. Commerce in its nature is the very opposite of piracy. The pirate plunders and holds to ransom; the trader pays for the goods and for the services he obtains and the payees use the payments to get what they desire.

The fundamental idea in all kinds of exchange is that normally both parties gain—both gain in utility.

We see the truth on the largest scale and also on the smallest—we see it with the telescope and with the naked eye.

The great trades of the world are between the town and the country. The townsmen do not simply plunder the countrymen and conversely.

In the last resort they exchange the products of their services.

If the organisation of commerce is broken down this greatest of all trades is also broken down.

The secrecy of Sovietism does not allow us to know much of the economic conditions of Russia, but we know that compulsion has taken the place of trade and that the peasants are forced to give their surplus for the surplus of the towns. That at least seems to be the idea.\*

Coercion of this kind is a poor substitute for the processes of exchange.

One of the great strands of economic progress is the growth of commerce, internal and external.

When it is said that Marx stresses the diseases of industry and commerce and overlooks the normal healthy activities, it does not mean that there are no diseases.

One of the recurrent and most marked of these diseases of industry and commerce is monopoly. And of monopoly there are many species.

Again it may be observed that the conditions of the War and the conditions prevailing after the War have been and are very favourable to the growth of monopolies.

This growth of monopoly is also one of the main causes of the revival of Marxism.†

\* See above, pp. 58, 59.

† See above, ch. i.

The recent report of the Committee on Trusts goes so far as to assert that as regards capital competition is dead and monopoly has taken its place.

Monopoly is a word of evil odour. The old teaching, both of law and of economics, was that any monopoly—once it had got beyond a certain stage—the reservation is important, for competition is never perfect—must be either suppressed or controlled. Fabian socialists look with favour on the growth of monopolies because they think it foreshadows a corresponding growth of State control.

It is quite natural that the growth of monopoly should be accompanied on the part of the monopolists by a demand for the abolition of the control exercised in the War. Abolition of control and abolition of the excess profits duty are the two popular claims of the present-day monopolists.

These claims for the freedom of monopoly find no support in principle from the orthodox economist. If monopolies cannot be controlled or suppressed, then, said Adam Smith, the greatest opponent of monopoly, the gains of monopolies, whenever they can be come at, are the most proper subjects of peculiar taxation.

It must here be observed, however, that the growth of monopoly is not confined to capital. Organised labour is also partial to monopolistic methods. Labour wants to get rid of the wastes

of competition in the field of labour. Labour, too, when the opportunity arises, wants to get a monopoly gain.

This outburst of the power of monopoly is to be attributed principally to the great upheaval of prices caused by the effective abandonment of the old restraints on the issues of paper money and on the expansion of credit. Everybody now is familiar with the vicious circle of the rise in prices.

Here it need only be mentioned as the *causa causans* or the real mischief-maker in the growth of monopoly.

It would be out of proportion to discuss in this place the disadvantages and the compensating advantages of Trusts and labour combinations.\*

It may be pointed out, however, that the same report on Trusts which points to the disappearance of competition also states that in fact very little if any of the rise in prices is to be attributed to the action of the Trusts. In the same way the Anti-profiteering Act has failed to bring out the extent and degree of profiteering that was expected.

It seems after all that competition is not yet dead altogether. There is always the competition of substitution. The most piratical of profiteers must also pay some attention to the conditions of

\* Cf. *The Prevention and Control of Monopolies*, by W. Jethro Brown, for a full and dispassionate survey of the leading principles involved.



Demand and also to the capacity for long-suffering on the part of the consumers. A gigantic all-pervading bureaucracy would probably greatly diminish the aggregate national product and would also increase the aggregate national discontent with the actual distribution of that product. Most revolutions (including the latest in Russia) are made with great miscalculations as to the total benefits and total costs.

Trusts have certainly not yet reached the stage when an omnipotent, omniscient bureaucracy is the only remedy to be hoped for by the social reformer.

Marx ridicules the so-called abstinence theory of the creation of capital. His idea of a capitalist is the millionaire who cannot possibly use the whole of his income on personal satisfaction by consumption of goods. The one appetite of the typical millionaire that can never be sated is the love of money. So far as this love of money is not a depraved habit like drug-taking it involves the love of power. No doubt in the past this love of power has often been under-estimated. Slavery in its origin was as much due to the love of power as to the desire for slave-produced wealth for direct consumption. But even this love of power had its uses.

It has been maintained by so fervid an admirer of Marx as Loria that in former ages some form of coercion was necessary in order that provision

might be made for the future by the creation of capital.

Under modern conditions capital can only be increased by so directing industry as to provide not only for the present but for the future. This brings in the element of risk. Sometimes the risks are under-estimated and the capital invested for the future is destroyed. The old routine businesses survive.

Risk-taking in the formation of capital is not gambling any more than insurance is gambling.

The moral element in risk-taking was recognised by the mediæval Churchmen who condemned usury of all kinds and glorified labour. But both the condemnation and the glorification were measured and reasonable.\*

Marx ridicules the idea that capital is the result of saving and that saving means the contraction of present consumption so as to provide for the future.

The mediæval Churchman considered it a duty to lend without interest in cases of need. But there was a difference between lending and giving. In lending, the thing is returned after a time. And if the thing is returned as good as ever, the good man should expect no more.

It was soon recognised, however, that if the lending involved a risk of the principal, some compensation ought to be allowed. Hence this

\* Cf. Cunningham's *Usury*, *passim*; also O'Brien, *op. cit.* p. 184 n.

curious result emerged:—The interest which involved risk was morally lawful, whilst the interest where there was no risk was sinful. That was the ruling idea in the mediæval golden age.

Let any one glance over the exposition in any modern text-book of economics of the causes governing the accumulation of capital. They are certainly real causes. They are supported by abundant historical and actual experience and they are explained by the principles of morality and psychology.

The degree of importance of the particular causes varies according to circumstances.

But under present conditions the exploitation of labour—the continuous robbery of labour—is not even mentioned.

On the contrary, stress is laid on the economy of high wages. And in practice, under present conditions, this principle has often been pushed to an untenable extreme. Up to a certain point a rise in wages may increase efficiency; after a certain point it may only cause a decrease of national capital.

## CHAPTER IX

### PROFITS

To some extent the Marxian theory of profits has been anticipated in the preceding chapters on Value and on the Accumulation of Capital.

Profit-taking is in fact supposed to be the dominant form of the exploitation of labour under Capitalism. With Marx, in effect, all profit-making is simply profit-taking, and all profit-taking is profiteering.

According to the opposing economic analysis profit is the share in the national flow of income which falls to the providers and managers of capital. Normally profits is considered as the payment for services rendered, just as wages is payment for other services rendered.

The Marxian analysis depends on the theory of "surplus value."

"To explain *the general nature of profits*, you must start from the theorem that on an average, commodities are *sold at their real values*, and that *profits are derived from selling them at their values*, that is, in proportion to the quantity of labour



realised in them." \* "But the value of a commodity is determined not only by the quantity of labour which the labourer *directly* bestows upon that commodity, but also by the labour *contained* in the means of production."

Capital itself is only crystallised labour time.

On the Marxian view capital adds nothing to the value of the raw material after allowing for the labour sunk in the capital. Profits are indeed paid out of the value of the product, but only by getting what is really due to labour.

Of course every economist admits that profits depend on the cost of labour in this sense, namely, that in the division of the joint product the more that is given to labour the less accrues to profit. In modern industry, in a period of depression after the labour bill is paid, it may happen that no net profit is left. Under other conditions of booming trade wages may not rise in proportion and excess profit emerges. The element of truth in the central Marxian position was stated quite as clearly and emphatically by Mill in the last section of his chapter on profits—

"It thus appears that the two elements on which, and which alone, the gains of capitalists depend, are, first the magnitude of the produce, in other words, the productive power of labour; and secondly the proportion of that produce obtained by the labourers themselves; the ratio

\* Marx on *Value, Price, and Profit*, p. 27.

which the remuneration of the labourers bears to the amount they produce." \*

Profits, says Mill, in effect, depend on the cost of labour. He explains carefully, however, that the cost of labour is not measured by the wages paid: "the cost of labour is frequently at its highest where wages are lowest." He fully admits the principle of the economy of high wages.

It must be remembered also that Mill has previously given, even in this very chapter on profits, an account of the conditions necessary for the provision and maintenance of the capital which is also necessary for production.

If capital is to be maintained and employed, the services of capital must be paid for. If labour takes the whole of the joint product, the capital will not be replaced. As already observed, even the socialist state must provide for the continuance of the productive capital, if production is to continue on the same scale. The State must forcibly take what is necessary. In such a State capital is built up and maintained by coercion. Under the present system the creation and the maintenance of capital depends on a series of contracts made with all sorts and conditions of labour.

Every one can see that a certain minimum must go to labour if its mass and its efficiency

\* *Principles of Pol. Econ.*, bk. ii. ch. xv. sect. 7.

is to be kept up. If not the labour will emigrate or die out.

In the same way a certain minimum must be given to capital or it will emigrate or die out.

After providing for these two preference or debenture shares in the joint product, the remaining surplus may be divided in any proportion.

But even at this stage the division is not arbitrary. We have to take account of the fact that the efficiency of both the great factors will vary with the reward obtained. There is a certain division which will tend to produce the maximum product. Adam Smith argued that excessive profits not only diminished the "parsimony" of the owners, and in that way checked accumulation, but also encouraged extravagance in expenditure. At the same time most capital is "saved" out of profits, though a certain amount is also "saved" out of other forms of earnings—professional incomes and wages.

In brief: Certain minimum rates of remuneration are necessary, both for capital and for labour, to keep up any given rate of production. The distribution of the remainder will again react on the production and this on the total produce to be divided. We may be sure that the *optimum* distribution from this point of view will not be minimum subsistence wages and maximum excess profits. It will lie between two extremes.

The conditions of industry are so varied that

the particular distribution of the joint product (or of its money value) that will give the maximum satisfaction or the best result (measured by different standards) will vary with circumstances.

Furthermore we must take account of the fact that the act of production is not complete until the commodity is in the hands of the final consumer. Under our present system (in normal times) a certain amount of capital must be provided and maintained for the wholesale and retail trades. Similarly of labour. The same reasoning applies as in the case of technical production. According to the Census of Production \* in normal times the cost of distribution by way of trade may add, on the average, from one-half to two-thirds to the value of goods at the works. This addition to the factory cost varies very much in different cases. Again we may apply the ideas of *minimum* and *optimum*.

If the processes of distribution are taken over by the State the necessary capital must be provided as well as the necessary labour. A gigantic bureaucracy must take the place of the present system of wholesale and retail trade. Coercion of all sorts must take the place of all sorts of contracts and bargains.

The distribution in place—up and down the country and between different countries—is only

\* Final Report of First Census of Production of the United Kingdom (1907), pp. 28, 29 [Cd. 6320 of 1912].



part of the whole process. The distribution between the present and the future is of equal importance. It was reported (April, 1920) that under State control there was a glut of meat with scarcity and high prices in the butchers' shops. The abolition of private enterprise in trade will require the discovery of some effective substitute.

Lenin's ideas of the simplicity of control under communism are shown in the following passages—

“Book-keeping and control—these are the chief things necessary for the smooth and correct functioning of the *first phase* of the communist society. All the citizens are here transformed into the hired employees of the State which is then the armed workers. *All* the citizens become the employees and workers of *one* national State ‘syndicate.’ . . . The book-keeping and control necessary for this have been simplified by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording, and issuing receipts, within the reach of anybody who can read and write and knows the first four arithmetical rules. . . . When most of the functions of the State are reduced to this book-keeping and control by the workers themselves it ceases to be a ‘political’ State. . . . The whole of society will have become one office and one factory, with equal work and equal pay. . . . For when all have learnt to manage, and really do manage, socialised production,

when all do really keep account and control of the idlers, gentlefolk, swindlers, and suchlike 'guardians of capitalist traditions,' the escape from such general registration and control will inevitably become so increasingly difficult, so much the exception, and will probably be accompanied by such swift and severe punishment (for the armed workers are very practical people, and not sentimental intellectuals). . . .\*

The best answer to this passage will be found in reading and re-reading it until it is understood in all its bearings.

To try to reduce all the complicated processes of technical production and of trade to quantities of social labour is plainly impossible to practice.

It is also impossible even in theory. It is impossible because the creation and maintenance of capital require other elements, quite different from manual labour, and variations of manual labour. They demand even something more than intellectual labour. Certain moral efforts are required.

At the present time it is more than ever necessary to remember that one basic idea in the formation of capital is the postponement of present gratification and the imposition of a check on the natural impulse to extravagance. "The prodigal is a public enemy." No doubt the golden mean lies between miserly hoarding and profligate waste.

\* *State and Revolution*, pp. 104-105.

Too much regard may be paid to the future and not enough to the present. Other times, other manners.

All these truths it might be thought are platitudes. But they are platitudes that are overlooked in the Marxian analysis. The services rendered in the creation and management of capital are all supposed to be tainted by the exploitation of labour. The evils of this profit-making disease are supposed to be so great that the whole system must be destroyed by a revolution.

Against this theory of organised robbery we may put the results of economic analysis. Only a very brief résumé is necessary, as the whole subject has been fully treated by a succession of able thinkers and observers.

According to the old analysis of gross profits the services of capital are of three kinds that obtain three kinds of reward. First there is the saving of the capital with interest as the payment. Some capital, even under present conditions, would be saved with no interest. Most of what is now called consumption-capital is in this case. People save up to buy dwelling-houses, furniture, pictures, etc., and so long as they use them directly they get no interest. In fact, the maintenance costs something. Again, in certain cases people pay something in order that their wealth may be taken care of. In the beginnings

of banking negative interest was common. But broadly, under present conditions most capital for production requires, as a condition of its creation or of its application to any purpose, the sure prospect of interest.

If there is any insecurity about the payment of the interest, so much a higher rate is exacted, so that on the average an insurance may be provided against risk.

This insurance against risk is the second element in the usual analysis of gross profits.

In the course of progress the method of insurance is more and more extended and the insurance tends to be reckoned as part of the expenses of production instead of being put as part of profits. Very often, however, the risk cannot be insured against definitely and the consequence is a higher rate of profit.

On the Marxian theory there is no room for this element, any more than for interest.

The third element in profits according to the usual analysis is the wages of superintendence.

To some extent this element is recognised by Marx, but only to bring out more sharply the theory of exploitation.

In the chapter on Co-operation Marx writes—

“That a capitalist should command on the field of production is now as indispensable as that



a general should command on the field of battle." \*

Later he develops the idea by the simile of an orchestra with its conductor.

"The work of directing, superintending, and adjusting becomes one of the functions of capital, from the moment that the labour under the control of capital becomes co-operative. . . . An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers) and sergeants (foremen, overlookers), who, while the work is being done, command in the name of the capitalist. The work of supervision becomes their established and exclusive function." †

Management of this kind will apparently be allowed to rank as labour and to be included in the quantity of labour that goes to make up the value of the product.

But at this point Marx introduces what he considers the vital difference between his analysis and that of the so-called orthodox economist—

"The directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus-value, and consequently to exploit labour power to the greatest possible extent." ‡ "It is not because he is a leader of industry that a man is a capitalist; on

\* *Capital*, vol. i. pp. 311 *sq.*

† *Ibid.*, pp. 321-322.

‡ *Ibid.*, p. 321.

the contrary, he is a leader of industry because he is a capitalist. The leadership of industry is an attribute of capital, just as in feudal times the functions of general and judge were attributes of landed property."\*

In this argument there are two flaws : *First*, as throughout, there is the omission of any reference to demand. Paying the lowest possible wages is, after all, only one element in profits—often not the most important, and often a mistake. The simple exploitation of labour is generally bad business. The first idea of the capitalist as the general in command is to adjust the kinds and amounts of production to the demand. He can only make the greatest profit by satisfying the consumers of his commodities. He must consider markets. He must calculate for the supplies of raw material and also for the kinds of labour and forms of capital according to the changes in demand. No doubt the capitalist—looked on, as by Marx, as the head of a great business—aims at profits, but he can only attain this aim by paying regard to the uses of his products as expressed in the demands of the consumer.

In the Socialist State it may, perhaps, be decided to ration everything beforehand, but under present conditions demand guides production.

The second flaw in the argument is the assumption that the ownership of capital carries

\* *Capital*, vol. i. p. 323.

with it, in every case, the right to command labour and to direct industry. With the progress of joint-stock companies more and more ownership of the capital becomes separated from the management.

The democratic character of British capital was noted even before companies became so preponderant. Any man of first-rate business ability was able by means of credit to acquire the command of more and more capital.

The profits made by exceptional business ability have their roots in the better adaptation of means to ends and the better and quicker realisation of changes in demand.

Profits of this kind are earned with full advantage to the great community of consumers.

In truth the earnings of management are very different in origins and in effects from the Marxian ideas of the robbery of labour. It is precisely the business in which the profits are the greatest (from the causes given) that the wages of labour and the conditions of employment are in general the best.

There are, however, other elements in profits to which the characteristic of "unearned" is more appropriate, at least on first inspection.

Dr. Marshall has laid great stress on the fact that rent is not peculiar to land.\* He has

\* Cf. Mill, *Principles of Political Economy*, bk. iii. ch. v. "Cases of extra profit analogous to rent are more frequent in the transactions of industry than is sometimes supposed."

specially developed the idea of *quasi-rent*, as an occasional element in profit. Suppose, for example, there is a sudden rise in demand and the corresponding factors of production are only capable of comparatively slow increase. This was the case on a large scale in the Great War. Under the stimulus of intense demand and short supplies, prices rose greatly, and with prices profits.

Again, there are exceptional profits when improvements are introduced which can only be gradually adopted and extended. Those who are the first to use the lowered costs make large profits. The lowering of costs may be due to new sources of raw materials and so on.

Under certain conditions large quasi-rents may fall to the men in favourable positions without any particular merit on their part.

Even in these cases, however, it would be bad policy to seize by taxation every unearned increment as it arises or distribute it in wage-bonuses. The chance of exceptional gain is one of the great stimulants to the quickening of industries.

Besides the forms of quasi-rents the modern economist admits also monopoly as a source of profits. The growth of trusts has already been mentioned. Monopoly, however, in this form, in so far as it leads to higher prices, is an exploitation of the consumers of the products, but it is not specially an exploitation of the labour employed.



Labour, indeed, may share in the monopoly gains just as labour shares very often in quasi-rents.

The neglect by Marx of the element of Demand is a fatal defect in the case of monopoly profits. In order to get a maximum net monopoly revenue the monopolist must adjust his price or prices in accordance with the demand.

Marx ascribes rent to the monopoly of land and supposes that by this monopoly the owner of the land is able to get some of the surplus value that is put in the commodities by unpaid labour. But the source of the profit is always found by Marx in the labour and not in the demand.

His theory of value gives no room for the case of buyers' monopoly. "The *surplus value*, or that part of the total value of the commodity in which the *surplus labour* or *unpaid labour* of the working-man is realised, I call *Profit*." \*

\* *Value, Price, and Profit*, p. 37.

## CHAPTER X

### WAGES

THE treatment by Marx of wages, whether historical or theoretical, is strongly biassed throughout by his revolutionary ideas. Of the policy of Trade Unions in his pamphlet on *Value, Profit, and Wages*, he writes—

“ Instead of the *conservative* motto, ‘a fair day’s wage for a fair day’s work,’ they ought to inscribe on their banner the *revolutionary* watchword, ‘Abolition of the wages system.’ ”\*

So far as they go he allows that the unions are helpful to the working classes, especially in resisting the constant pressure of Capitalism to reduce wages. They are useful also, he thinks, in fostering the class spirit. But his conclusion is that at best they only do something to retard the downward movement of wages, they do not change the direction of the movement: they apply palliatives, they do not cure the malady. The trade unionists of this country know very well by

\* *Value, Profit, and Wages*, p. 53.

experience how false is this description of their powers.

### DIFFERENT THEORIES OF WAGES IN MARXISM

In different parts of his argument on wages Marx appeals to different wage-theories.

First of all there is the "iron law" or the minimum-subsistence theory. This idea of wages is deduced from his theory of value. As with all other commodities, so with labour, its *market price* will in the long run adapt itself to its *value* (i.e. its natural or normal value).

"Despite all the ups and downs and do what he may, the working man will on an average only receive the *value of his labour*."\* This *value of labour*, however, is very different from the value of the *product* of the labour. The distinction is vital. The value of labour itself is determined by the value of the necessities required for its maintenance and reproduction, which value of necessities finally is regulated "by the quantity of labour wanted to produce them."

Ricardo himself, who is generally supposed to be the father of this minimum-subsistence theory, had pointed out that in fact wages may remain for a long, and even for an indefinite, period above this limit. Marx, it may be observed in passing, confuses normal with average. But in this case,

\* *Value, Profit, and Wages*, p. 48.

cited by Ricardo, the average is above the normal or natural rate.

Marx also admits that there are some peculiar features which distinguish the value of labouring power from the values of all other commodities. The value of labour power, he says, is determined by two elements—the one merely *physical*, the other historical or social. The physical element depends partly on the necessity of supporting and reproducing the labour power. This is the ultimate limit. But also the length of the working day is limited by ultimate, though very elastic, boundaries. “A quick succession of short-lived generations will keep the labour market as well supplied as a series of vigorous and long-lived generations.” Here we have opposed the two principles that are now called the evil paradox of low wages and the economy of high wages. Experience has shown that with modern industries in general the cost of labour is less with high wages than with low wages.

But besides this mere physical element the value of labour, says Marx, is in every country determined by the *traditional standard of life*. Thus the idea of a minimum subsistence is modified or replaced by the idea of a minimum standard of comfort. Marx agrees with Mill that the value of labour itself is not constant, even supposing the values of all other things remain constant—*i.e.* require the same quantity of labour



for their production. There is always the *possibility* to labour of trenching on the part taken by profits. The maximum of profit depends on the Marxian analysis, on the minimum standard of labour (and the maximum hours of day-labour). But, he says, it is evident that besides this maximum rate of profit an immense scale of variation is possible.

Without noticing it he has left behind the theory of *minimum subsistence* and the *iron law*; and in this mode of argument he approaches what is now called the *produce theory* of wages. The matter of the adjustment, *i.e.* as between capital and labour, resolves itself, he says, into a question of the respective powers of the combatants.

The produce theory, however, is only very imperfectly realised by Marx. He cannot get rid of the idea that labour alone is productive of value. The value of the capital depends solely on the labour sunk in it, and so on.

He allows that the productive power of labour is increased by division (including under the term co-operation) of labour, but the corresponding division and organisation of capital he takes for granted. He takes no account of the encouragement to enterprise of all kinds by the hope of gain. The only gain he can think of is robbery.

As often pointed out already, after the industrial revolution there was a degradation of

labour in England. But Marx rushes to the generalisation that such degradation is inevitable with the extension in the use of machinery.

“In the progress of industry,” says Marx, “the demand for labour keeps no pace with the accumulation of capital. There is a progressive change in the composition of the capital. The part devoted to machinery, fixed capital, and raw material increases as compared with the part laid out in wages or in the purchase of labour.”

The general conclusion is that the very development of modern industry must progressively turn the scale against the working man, and that consequently the general tendency of capital production is not to raise but to sink the average standard of wages or to push the value of labour more or less to its minimum limit.\*

In this account of the progress, or rather the retrogression, of wages, Marx is really reverting to the old wages-fund theory of wages. It is true that in other places he adopts the criticism of that theory as already accepted in his day by leading English economists. In cases of inconsistency we must take the general trend of an author's argument. Marx always emphasises that part of any theory of wages which seems unfavourable to labour. If in the course of economic progress wage-capital tends to decrease relatively to fixed capital and the capital devoted to raw

\* *Value, Profit, and Wages*, p. 53.

materials, then he argues that the wage fund tends to fall and with it that wages of necessity also fall.

This is really the old problem of the conversion of circulating into fixed capital—taking circulating capital to be co-extensive with wage capital.\* According to the usual analysis circulating capital also includes raw materials.

Marx, however, for the purpose of his general argument on the exploitation of labour puts the raw material and the forms of fixed capital in one group under the name of *constant* capital. This is contrasted with the other species called *variable*, which goes to the payment of labour.

In the Marxian theory of value it is allowed that for the wealth of the society to be kept up any constant capital must be continuously reproduced or replaced. This is, so to speak, the first charge on the product of industry.

This mere replacement of the constant capital is not part of the process of exploitation of labour : because it does not mean the creation of surplus value. The surplus value—*i.e.* the profit—is made by paying labour with the variable capital for only part of the labour time expended.

The unreality of this analysis of “surplus value” in relation to wages is best realised when the theory is tested by the broad facts of industrial production and of industrial progress.

\* Cf. Nicholson's *Effects of Machinery on Wages*, ch. i., on *The Effects of the Substitution of Machinery for Labour*.



## 116 THE REVIVAL OF MARXISM

The various forms of capital and the various forms of labour are applied to the powers and materials afforded by nature in order to produce a continuous stream of wealth.

The whole of these complicated processes are carried on with multitudinous bargains and contracts. The State, or the supreme central authority, lays down certain conditions as essential to the making and enforcement of all contracts. The law of contract is one of the most extended and complex of the departments of law.

Subject to these general conditions all sorts of variations are possible. Contracts may be made by all sorts of associations: associations of labour and associations of capital. Contracts for the hire of labour in the large system of industry are in general made by methods of collective bargaining. Contracts for domestic service, and to a great extent contracts in agriculture, and in all kinds of small undertakings are in general made between individuals. In the whole sphere of labour, however, apart from contracts (which strictly are enforceable in courts of law), there are all sorts of agreements, partly enforced by custom with the force of law, partly by good faith.

The various associations, whether of capital or of labour, are in the last resort made up of individuals. The membership in different cases may be purely voluntary or may be enforced by



law or by various forms of custom or by public or class opinion.

The people who make all these contracts and agreements under which the complicated processes of the production and exchange and consumption of wealth are carried on have varying degrees of advantage and disadvantage in bargaining power. In extreme cases one party can practically dictate the terms of the so-called bargain. The other party can take it or leave it. Positions of this kind are possible in industry without the emergence of unlawful compulsion.

How does the Marxian analysis of the exploitation of labour by capital fit in with the actual complexities of modern industries?

Marx throughout has in view the large system of production, or more particularly the factory system. Is it true to say that the workers in manufactures generally in this country only receive in wages a minimum of subsistence? Are they robbed of the rest of the product of their labour by the owners of capital?

Is the wage system in large industries in reality a form of serfdom or even slavery?

The Marxian alternative to the present system, which is based on agreements and contracts, would be a system of compulsion with an all-pervading bureaucracy. Under such a system how will the existing capital be maintained? How will there be the necessary restraint of satisfaction of present

needs to provide for the future? How will the necessary foreign trade be carried on in such a country as this? If to continue the present scale of production will be difficult, still more difficult will it be to embark on new enterprises under the compulsory bureaucratic system.

In the Marxian analysis it is taken for granted that in the nature of things there will be continuous industrial progress.

In the current Marxian pamphlets it is commonly assumed that the socialisation of the means of production would increase the flow of annual wealth four-fold.

No account is taken of the difficulty under a socialistic system of constantly applying the method of substitution. Substitution means enterprise and initiative. Any great industrial change for the time being may involve dislocation. How is the natural inertia of a bureaucracy to be continually overcome?

Marx supposed that his system was the reverse of Utopian. He ridiculed former socialists as Utopian. They, he argues, set up ideals which cannot be carried into practice.

Marx, by way of contrast, is supposed to describe the inevitable march of progress, dominated by material economic forces.

The concentration of capital and the domination of capital over labour in the natural course of progress will attain such a pitch that labour

will inevitably seize the control of the capital. Capitalism will go the way of feudalism.

This revolution—this conversion of Capitalism into Socialism—is not to be accomplished by a change in public opinion under the influence of great ideas. This was the old socialist view. The pliability of public opinion was in the first postulate; the second the moulding power of reasonable creative ideas. This is not the Marxian way. As already observed, Kautsky as compared with Lenin is a very mild Marxian. His leading thought seems to be to soften the asperities of Marxism. Yet even Kautsky writes—

“Already in the forties, Marx and Engels showed us, and from that time onward each advance in social science has verified the fact that in the last instance the history of mankind is not determined by human ideas but by economic development, which latter marches irresistibly forward according to fixed laws and not according to the wishes and humours of man.”\*

Material fatalism of this kind is the suicide of reason—the deletion from humanity of its vital character.

The history of progress—economic as well as of other forms of progress—is the history of

\* *Social Commonwealth*, p. 15.

the conflict of great ideas. Moral progress is the history of the conflict of great ideals. Material fatalism is a reversion to intellectual and moral barbarism.

Marx quotes with approval the saying of Mill that it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. He relies on an elaborate account of the evils connected with factory production and especially of the degradation of the individual workers. Nobody now tries to under-rate these evils. But the point is that these evils have unquestionably been very greatly diminished. On the whole, if we take a broad view of the whole system of machinery in the widest sense the working classes have benefited and benefited greatly.

How have these great improvements in the conditions of labour been effected? Certainly not by the ruthless development of the material economic forces. The prime mover in all the factory legislation and in all the provisions for health and education has been the appeal to fundamental moral ideas. It was only after the moral ideas had been applied that it was once more discovered that good morality is also good economy.

Another general reflection is suggested by this Marxian view of the necessary degradation of labour under a system of machinery. If



such is the real effect, if the proletarians are degraded wage-slaves, how is it possible to entrust to them all the complicated methods of government which will be required under a Socialist State?

## CHAPTER XI

### PROPERTY AND PROGRESS

ORDINARY men of business simply take for granted that the present system of private property with which they are familiar is necessary and natural. In any conflict of rights they think it is for the law to decide.

It is no doubt true that the customs of trade are often more powerful than statutes. And besides what is lawful and customary, most people in their business dealings are moved by moral or even religious ideas—conscious or sub-conscious. They have ideas of what is just or fair as between man and man, and they do not push law or custom or even “business is business” to the Shylockian extreme.

They also think—even the most conservative of them, if they think at all—that in the course of progress the laws of England ought to be changed. But that the whole system of private property is so wrong that it ought to be abolished at the cost of a bloody or bloodless revolution never enters their minds.

As with the ordinary man of business, so with the ordinary man of law. He takes the law as given by Parliament and interpreted by the Courts. He cannot, it is true, fail to notice inconsistencies and defects in various parts of the legal system of this country. But it is no part of his business to consider the fundamental principles on which the system of private property is based.

This deeper examination is in general left to philosophers and economists. In this deeper examination of the institution of private property, as of other parts of the social system, two kinds of methods are employed.

In one of these methods stress is laid on the analysis of the ideas and principles involved, and in this case the search for ideas is often merged in a search for ideals.

In the other method stress is laid on the historical development of principles. Reference is also made to the working of the ideas and principles under differing actual conditions, and the historical method is supported by the comparative.

These two methods, or sets of methods, have always elements in common. The most extreme idealist may pay some regard to the facts of history and experience and the most extreme positivist or materialist must at least have working hypotheses.

It is curious that Adam Smith, the academic teacher of moral philosophy, should have laid most stress on the appeal to facts, and Ricardo, the most successful man of business of his day, should be known as the founder of abstract political economy. As a matter of fact both of these great writers used both kinds of methods. Some of the ideas of Adam Smith have shaken the world of thought, and Ricardo always had in the back of his mind the actual economic problems of his own time.

Marx also uses both methods. On one side he deals with abstract ideas and ideals, and on the other with history and facts. In both cases he was biassed by his fixed ideas on the relations of labour and capital. As already shown, his communism is more Utopian than the Utopias which he ridicules, and his material interpretation of history is throughout dominated by his communistic ideas. All history is used by him either to condemn the present system or to lead up to communism as inevitable.

This bias and confusion is specially notable in his treatment of the institution of private property. He jumbles together property and Capitalism and sees only evil in the development of both. On his view, economic evolution becomes more and more evil as Capitalism becomes more and more dominant, until finally the human race can bear no more and must rush into revolution.



His confusion of thought and perversion of history are specially noticeable in his treatment of property in land. And it is specially as regards property in land that the Marxian revolution in Russia is finding its greatest obstacle.\*

In the first of the three large volumes of *Capital* Marx states that the capitalistic era dates from the sixteenth century.

"The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole process. The history of this expropriation, in different countries, assumes different aspects, and runs through different phases in different orders of succession, and at different periods. In England alone, which we take as our example, has it the classic form." †

"In England serfdom had practically disappeared in the last part of the fourteenth century. The immense majority of the population consisted then, and to a still larger extent in the fifteenth century, of free peasant proprietors, whatever was the feudal title under which their right of property was hidden. . . . Although the English land after the Norman conquest was distributed in gigantic baronies . . . it was bestrewn with small peasant properties, only here and there interspersed with great seignorial domains. Such conditions, together with the prosperity of the towns . . . allowed of that great wealth of the people which

\* See above, ch. iii., with the reference to the statements by Kautsky on the peasants and private property.

† *Capital*, vol. i. pp. 739, 740, 741.

Chancellor Fortescue so eloquently paints—but it excluded the possibility of capitalistic wealth.”

He goes on to say that the wage labourers in this golden age were practically also peasant farmers—they had cottages, four or five acres of arable land, and valuable rights of common.

By the sixteenth century an agrarian revolution had occurred, and, “as Thornton rightly has it the English working class was precipitated without any transition from its golden into its iron age.”

This supposition of a golden age in the fifteenth century has been subjected to severe criticism since Marx wrote,\* and Marx himself at a later stage of his work takes pains to show that a nation of peasant proprietors must be practically barbarous and non-progressive. The following passage is illuminating:—

“Small property in land is conditioned upon the premise that the overwhelming majority of the population is rural, and that not the social, but the isolated labour predominates; that, therefore, in view of such conditions, the wealth and development of reproduction, both in its material and intellectual sides, are out of the question, and with them the pre-requisites of a rational culture.” †

That is to say, a system of peasant proprietors can only be stable if it is practically universal in a

\* Cf. Denton, *England in the Fifteenth Century*, and Nicholson's *Principles of Political Economy*, bk. iv. on Economic Progress.

† *Capital*, vol. iii. p. 945.

nation, but such a nation under such a system can never make any real economic progress.

A partial system of peasant properties side by side with large estates and large farming fails—so the argument proceeds—from the lack of means and of science by which the social productivity of labour might be utilised.

This superficial dogmatism on a subject that has been thoroughly investigated by a succession of great writers is characteristic of the domination of the fixed ideas of Marxism. Nothing is said of the differences of products or of other varying conditions—nothing is said of the possibilities of co-operation.

Marx, with his eye always on revolution, failed to see the beginnings of great social reforms which have been developed since his time on a large scale.

Although in this place he condemns peasant properties, his condemnation of large farming and large agricultural estates is even more severe.

“On the other hand, large landed property reduces the agricultural population to a continually decreasing minimum, and induces on the other side a continual increase of the industrial population crowded together into large cities.”

The comparison is thus summarised—

“While small property in land creates a class of barbarians standing halfway outside of society,



a class suffering all the tortures and all the miseries of civilised countries in addition to the crudeness of primitive forms of society, large property in land undermines labour-power in the last region, in which its primal energy seeks refuge, and in which it stores up its strength as a reserve fund for the regeneration of the vital powers of the land itself."

There follows a still more general and more gloomy utterance—

"Large industry and large agriculture on an industrial scale work together. Originally distinguished by the fact that large industry lays waste and destroys principally the labour-power, the natural power, of human beings, whereas large agriculture industrially managed destroys and wastes mainly the natural powers of the soil, both of them join hands in the further course of development, so that the industrial system weakens also the labourers of the country districts, and industry and commerce supply agriculture with the means by which the soil may be exhausted."

The element of truth which lies at the basis of these attacks on all kinds of property in land has been brought out very clearly in all the systematic works on economic history and political economy, and even by realistic novelists, as, for example, by Zola in *La Terre*. Quite recently the government of the United States has realised the dangers (long ago foretold by List and Carey) of a rapid exhaustion of natural fertility without corresponding



replacement. Rural depopulation is also a well-worn theme both in the past and in the present. In the British dominions special legislation has been found necessary to guard against the holding-up of land for speculative purposes. In new countries generally it has been found desirable to attach conditions of cultivation and improvement to the occupancy of land.

But as regards private property in land, in general, it cannot be denied that progress in agriculture has been associated with the break-up of the village communities which were once universal.\* Enterprise in agriculture and improvements which demanded long periods for their accomplishment were only possible with private ownership.†

No doubt in agriculture, as in other industries, new kinds of legislative interference have been found necessary under changing conditions. But the general result has been to strengthen the system of private property and not to substitute forms of "nationalisation of land."

In the United Kingdom during the last half-century there have been great changes made in the laws affecting property in land. In Great Britain greater security has been provided for the investment of the tenant's capital. In contracts for the hire of land, certain clauses have been

\* Cf. Seebohm's *English Village Community*.

† Cf. *A Great Agricultural Estate*, by the Duke of Bedford.

made obligatory. The leading idea is to lessen the opportunities for any kind of legal exploitation by the owner of the land. Still more recently the protection afforded to the farmer's capital has been extended to the labour employed by the farmer. The minimum wage in agriculture has been adopted in principle and the necessary exceptions are being gradually worked out. Provision has been made for small holdings and definite encouragements and restraints have been imposed on certain uses of land. The old idea was that under competition land naturally finds its way into the best uses for national purposes on the whole. But it was always recognised that the interest of the landowner in getting the highest rent must be subordinated in case of need to the public good.

The case of Ireland is still more remarkable in the confirmation of the general benefit of private property in land. A series of legislative efforts were made to get rid of the abuses that had been allowed to grow up under the old system. The evils of that system were first made plain to the British public by the exposure in Mill's *Political Economy*. The condition of landed property in Ireland no doubt had considerable influence on the attitude of Mill towards landed property in general. The celebrated three F's—fair rents, fixity of tenure, and free sale of tenant right—mark the stages in the purification of the old system.

But the general result in Ireland as in Britain has been, not to weaken the system of private property and to substitute some kind of nationalisation—although by the natural associations of words one would expect in Ireland an outburst of nationalism of every kind—but the general result has been to get rid of the double ownership and double control and to revert to the system of simple property. In spite of turbulent politics and social unrest Irish agriculture has flourished greatly with private property aided by voluntary co-operation.

If, however, private property in land has proved beneficial to agricultural production, its utility as an aid to industrial production has been still more marked. The qualities of land due to nature are, in Ricardo's phrase, "original and indestructible," but capital must be continuously reproduced.

Land is limited in extent, and the best qualities in fertility and situation are still more limited. By contrast, the forms of capital, necessary for industry, are unlimited. The limitation is imposed not by natural conditions but by the intellectual and moral capacities of mankind.

The most general of all the principles affecting production is that economic effort of all kinds will vary with the right of property in the result. In the complications of modern industry the right of each to the product of his own labour takes



the form of the right to the share he can bargain for with the other contributors. He may make his bargain collectively or individually, but the general rule is that the greater the gain the greater the exertion.

This great economic principle applies not only to labour but to capital. The creation of capital involves different kinds of economic effort. There is first of all saving in the most elementary sense. Any one who has any surplus over actual necessities has the choice of spending his surplus on extra consumption or of putting it away for future use. Security that if he puts it away he will get the benefit at a future time is a necessary condition. But this elementary saving is only one of the economic efforts required for the creation of capital. Most capital is made up from profits. As already explained, this profit corresponds to different economic services—to all sorts of economies and substitutions, all sorts of adjustments of industry to present and future demands—demands at home and demands abroad—all sorts of risks in all kinds of enterprise—these are some of the services which differ widely from the efforts of the manual worker.

The point is that if the reward is not proportioned to the effort, the effort will be so much the less strenuous. Whether some practical substitute for this payment according to results in the creation of capital is possible in theory, is



open to argument. "From each according to his abilities" may in the far-off hereafter be the instinctive rule of conduct. In some walks of life the hope of gain is actually now subordinated to other ideas. It is very probable that the hope of immediate gain is a barrier to the best kinds of work in art, literature, and public service of varied kinds.

In industry and commerce, however, in general it is the hope of gain that drives the owner and employer of capital. What he is in search of is profit, and he wants the profit not merely, or chiefly, in order to spend more on his own personal gratifications, but partly to add to his capital stock.

Marx on this point is at one with the economists—"the sycophants of capital." The difference is that Marx supposes that all the efforts of the creator and employer of capital can be summarised under the libel of exploitation of labour. In his view the original type of capitalist is the pickpocket or the pirate. No doubt Capitalism has its diseases, and the exploitation of labour is, on occasions, one of them. On the whole, however, the rule is that, directly or indirectly, capital shares its gains with labour. The conditions of labour are best when the conditions of capital are best.

The institution of private property is not only of benefit to mankind as a stimulus to the creation,

maintenance, and increase of capital. It is quite possible in theory, at least, that a universal system of compulsory labour, with labour certificates for consumption (the system which seems to be the immediate outcome of the Russian revolution), might provide for the growth of all the capital that such an economic system required.

But private property is far wider than Capitalism. Marx and his pamphleteers often write as if all the classes of the nation with one exception were "propertyless," or in danger of reaching that condition, as if the only property that would soon be left would be in the hands of a small set of profiteering capitalists. The mass of householders may not be the owners of their houses, but, at any rate, the mass of them are owners of the things that the houses contain.\* Apart from these movables, most householders also make some provision for themselves or their families in the future. People who will save for nothing else will save for their own burial. They object to being buried at the expense of the parish.

For the most part even the most extravagant and careless of those who earn wages or salaries do not at once eat and drink the lot, but make some of their gains into property that will satisfy

\* Even when the rate of interest was relatively low most people preferred to rent rather than buy their houses, and to rent unfurnished rather than furnished houses. Giffen used to reckon that the movables in a house were in general worth about half the value of the house itself.

the future needs as well as the present. The love of ornaments is often actually greater than the love of food. To most people, when they come to think what it means, a system of distribution in which they could call nothing their own would seem unnatural and intolerable.

Most socialists fight shy of abolishing property except in "the means of production."

State ownership and management of the "means of production" when a certain magnitude has been attained resolves itself into a question of efficiency of production. Private property in railway shares, after a certain point is reached, may not be necessary as a stimulus to enterprise or management.

But to substitute for private property in general a system of communism in which the ideal is "from each according to his abilities and to each according to his needs," which is the Marxian ideal, would not only check progress but lead back to barbarism.

## CHAPTER XII

### CONCLUSION

OF all the forms of Socialism the system of Marx is the least attractive from the moral standpoint.

The materialistic conception of history sees the golden age in an imaginary past. Age by age, with the growth of Capitalism, it sees the condition of mankind become worse and worse. The idea of progress is replaced by the idea of retrogression in all that makes for the welfare of the masses. Social earthquakes have given partial and spasmodic relief, but the exploitation of the masses must continue until one great world-wide upheaval shall have destroyed Capitalism altogether. What a retrospect and what a forecast!

Marx founded his philosophy of history on the experience of the evils of Capitalism in England in the first half of the nineteenth century. The conditions of industry have changed altogether. His historical verification is antiquated. His remedy was revolution. He ridiculed the varied efforts of great reformers as worse than



useless. In his view they only served to retard the great outburst.

Instead of reconciliation of classes Marx set up the intensification of class hatred. This remedy of class hatred is also antiquated.

His explanation of the evils of Capitalism was based on a fallacious theory of value. All values were supposed to be determined by the mass of labour required directly and indirectly for their production. The services of capital were reduced to simple kinds of supervision. Necessary supervision might be ranked as part of "socially necessary" labour, but this kind of supervision the capitalists left to their foremen or managers. Organisation—in Lenin's phrase—was simple "book-keeping."\* These foremen and book-keepers deserved a sort of wages, but profit, as such, came from the under-payment of labour.

A certain amount of the value of any product must be used to replace the necessary "means of production," including the necessary labour, but the surplus value produced by labour—beyond these necessary expenses—was appropriated by the owners of capital, simply by reason of their ownership of the capital. The capital had originated in robbery and inheritance, and the whole system involved continuous robbery. In

\* See above, ch. ix. p. 101.

short, the wage-earners were slaves and their employers were slave-owners.

Such a view of wages naturally gives encouragement to every possible device for limiting the productive power of labour in such a way that no surplus value can emerge.

Under present conditions, when the wastes of war must be replaced, the policy of under-production means suicide of material well-being as effectively as the under-production of children means race suicide.

At the same time, as shown in the introductory chapter, there are in the present state of things conditions favourable to an outburst of Marxism. It is in vain for the economist to show that analytically and historically Marxism is fallacious as a system, if conditions are allowed to arise and continue which seem to confirm the system.

The evils arising from high prices and profiteering, and from the growth of money power, and above all from the wastes of the money power through inflation, are not to be got rid of by showing that Marxism is a kind of economic disease. The disease must be checked by destroying the conditions favourable to its growth.

It has been said by Professor Foxwell, "It is far more important, and far more practicable, to take care that the acquisition of new wealth proceeds justly, than to attempt to redistribute

wealth already acquired." \* This opinion is no doubt correct when tested either by economic analysis or by economic history, but in times of great social unrest it may well seem to the masses of the people that a beginning of more just methods of acquisition must be made by a speedy and forcible redistribution of the wealth already unjustly acquired. It is this immediate redistribution of the property of others that gives the driving force to revolutions of the Bolshevik type. When the plunder has been shared out the real difficulties begin. How is the organisation of production and distribution to be carried on by the armed workers and their simple and obvious methods of book-keeping? †

In conclusion, stress may once more be laid on the social effects of the "profiteering" during the War and arising out of the War. The master of the house has been afraid to fire on the robbers, lest he should injure honest folk by accident or by panic. It ought not to have been beyond the resources of civilisation to isolate the "war profiteers." The glaring injustice of taxing during the War the incomes of family trusts—of widows and orphans and the like—at a higher rate as being "unearned" and allowing the "unearned" war fortunes to escape special differential taxation will not be readily forgotten.

\* Introduction to Menger's *Right to the Whole Produce of Labour*, p. cx.

† Cf. above, p. 101.

At the same time, while war profiteering is justly condemned by the moral sense of the nation, the morality of Bolshevism—which is Marxism in practice—is immeasurably worse by any recognised moral standard.

If it were not so, why this persistent refusal to allow an impartial commission of inquiry to report on the actual condition of Russia? Would it not be possible to insist that before the outside world opens up trade with Russia, the outside world should know what Russia is and how she stands in the recognition of the unwritten laws on which all international commerce depends? Why do the Bolsheviks shun publicity, unless they “love darkness rather than light, because their deeds are evil”?



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