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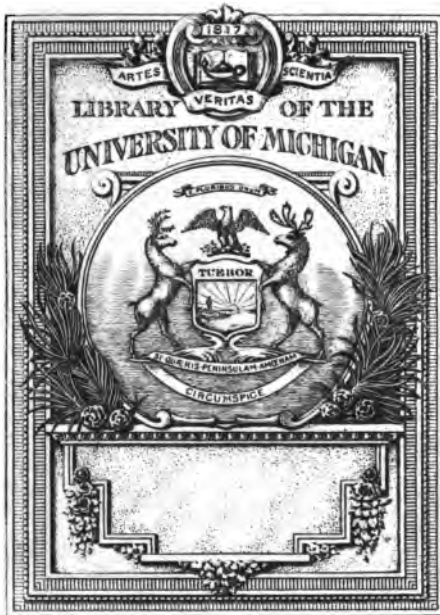
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THE  
THEORETICAL SYSTEM  
OF  
KARL MARX

*IN THE LIGHT OF RECENT CRITICISM*

BY  
LOUIS B. BOUDIN, LL.M.

CHICAGO  
CHARLES H. KERR & COMPANY  
1907



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## PREFACE.

The present volume is substantially a reprint of a series of articles which appeared in the *International Socialist Review* from May, 1905, to October, 1906.

It was my original intention to give in brief compass an account of the causes which called forth the so-called *Revisionist* movement, the questions raised thereby, and its net results, theoretical as well as practical. It soon became apparent to me, however, that such task was impossible of execution even within the space of twice the number (seven) of articles originally contemplated for the series, because of the extreme poverty of the English literature of the subject, and the consequent unpreparedness of our readers for such discussion. In treating of the causes of the Revisionist movement, the Neo-Kantian movement in latter-day philosophy had to be touched upon, but no mere reference or allusion to it would suffice because of the entire unfamiliarity of the English reader with that subject. The revision of Marxism could hardly be discussed with people who had but a bowing acquaintance with the doctrines of that famous system of thought.

I therefore concluded to present to the English reader, instead of an account of the movement to revise Marxism, an *exposition* of the teachings of Marx, and to draw upon the literature of Revisionism only in so far as it may become necessary or expedient in the course of such exposition, in order to accentuate some of its points or differentiate them from others with which they are likely to be confused. I have therefore refrained from entering here into any controversy with any revisionist Marx critic except in so far as was absolutely necessary for my purpose. And I hope at

some future time to be able to resume the argument, when I expect to take up the different critics and their criticisms one by one and draw conclusions with them.

I have also refrained from entering into any detailed statement of the Marxian economic theory as I did not intend to make this volume a primer of philosophy and political economy according to Marx, but rather an outline of the Marxian system of thought, with the accent on the *system*, that is the relation of its different parts to each other and the unity of the whole. It is not meant as a text-book of the Marxian teaching, but as an introduction to the study of Marx, and as an aid to the understanding of him. And in this connection I wish to say that in stating what I considered to be the true Marxian doctrine I never relied on isolated statements or expressions, but always looked to the spirit pervading the whole of his work, for the explanation of any dark point or the solution of any problem encountered.

In the arrangement of the matter I have followed the suggestion of the great Master: I have treated the Materialistic Conception of History as merely introductory to the study of the actual workings of the capitalist system. I appreciate that the problems of the Materialistic Conception of History are many and manifold, but I do not believe that it would have been wise to burden the reader at the very beginning with long and abstruse philosophic discussions. Besides, many of the problems of the Materialistic Conception of History which are considered grave, are so considered only because of the failure of many students of the subject to perceive that these problems are not peculiar to this particular philosophy, but are problems of philosophy in general.

There is one respect, however, in which the Materialistic Conception of History has a harder road to travel than any other system of thought that I know of: the persistent misrepresentations of friend and foe. I have therefore deemed it advisable to attach two appendices, wherein are

treated two points with respect to which these perversions and misrepresentations are most frequent and at the same time most glaring.

I hope that the volume herewith presented will give the reader, if not an adequate presentation of the Marxian doctrines, at least an adequate beginning for such presentation, and that it will serve as a stimulant towards an adequate discussion among English-speaking people of the great theoretical problems embraced within the realm of Marxism.

L. B. BOUDIN.

New York, February, 1907.



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# THE THEORETICAL SYSTEM OF KARL MARX.

## CHAPTER I.

### KARL MARX AND HIS LATTER-DAY CRITICS.

Marxism—that theoretical system of which Karl Marx was the chief exponent, and which its adepts are wont to term “Scientific Socialism”—has reached a stage in its existence which marks it as one of those systems of thought which in the history of the intellectual development of the human race are epoch-making and stamp their character upon the age the intellectual life of which they dominate. While the fight for its existence is still raging, and it is growing in intensity from day to day, the character of the fight betrays the difference in its position. It no longer fights for recognition, so to speak, but on the contrary, it fights to maintain the position of an established doctrine, one might say *the* established doctrine, a position which it has assumed and occupied since the appearance of the last volume of *Capital* in 1894.

Marx-criticism is not any the less frequent or any the less vehement to-day than it was at any time during the life of his doctrines. Quite the reverse: At no time since the first foundations of the great system of thought which bears his name were laid down by Karl Marx, more than fifty years ago, have his assailants been so numerous or so active as they are now. Marxism—opposition to Marxism—is the moving cause, the burden of the song, the ever-recurring *Leit-motif*, of every new book, pamphlet, and



essay on philosophy, sociology, or political economy, that lays any pretensions to being abreast of the modern current of thought. There are now being published numerous periodicals—weekly, monthly, quarterly, etc.—devoted exclusively, openly or covertly, to the fighting of Marxism. This is itself, of course, one of the manifestations of the dominating influence which the teachings of Marx and his disciples have obtained over the minds of human kind: it now requires the constant efforts of a great army of intellectuals to combat, and that with very doubtful success, the progress of the teaching which less than a quarter of a century ago would have been passed by one of them as a negligible quantity in the sum total of our intellectual life.

Aside however from its volume, the tone of the anti-Marx-literature of the present day shows the change in the position of Marxism. The tone of personal hostility towards Marx, the slighting estimate of his position in the realm of thought, and of the importance of his system in the development of ideas,—which were once common to the majority of Marx critics—are almost entirely absent from this literature. On the contrary, the distinguishing feature of this anti-Marxian literature is the homage which is paid by nearly everybody to Marx the man and the thinker. More important, however, is the fact that most of the new critics of Marxism do not treat it as a new-fangled doctrine the correctness of which is yet to be proven, but, on the contrary, as the old-established and accepted doctrine which they attempt to prove false, in whole or in part, and which, they claim, must therefore be revised, supplemented or superseded. No one, however, dares openly defend the theories which Marxism has supplanted. Almost everyone admits expressly the justifiability of Marx's criticism of the theories which predominated before his advent, and that Marx's theories were correct at the time they were first stated and a proper generalization of the data then at hand. What they claim is, that later develop-

ments have shown that they were based on insufficient data, and that our present knowledge requires the revision of some of his tenets or the supplementing of them by some qualifying truths, according to some, or that the whole system be thrown overboard, it having been built on false foundations, according to others. Most of the critics, however, stop at revision. Hence, the name *Revisionists*, under which most of the newer Marx-critics are known, and the term *Revisionism* applied to their writings and teachings.

The most important feature, however, of modern anti-Marx literature and that which in our opinion conclusively establishes not only the pre-eminent position occupied today by Marxism as the recognized and established sociological doctrine, but also the fact that there is no doctrine capable of competing with it for establishment or even of dividing honors with it, are the writings of those of the critics of Marxism who claim that the whole system must be thrown overboard as unscientific. These writings are the most edifying sort of reading for a Marxist. I shall have occasion, later on, to examine this literature more particularly. Here I wish to say only this: These latter-day critics of Marx do not dare accept in its entirety any other system which has been advocated before their advent; and they do not, with some exceptions which are quite negligible, (of which I shall, however, and nevertheless, treat later on), advance any system, wholly or partly original with its authors, which would be capable of taking the place of Marxism as an explanation of social phenomena. They almost all, therefore, fall into what may well be termed *Nihilism*, that is to say, they are led to deny the existence, nay, even the possibility, of any social science. In other words: Marxism is so much *the* scientific doctrine in its sphere (which covers all the life of humanity in organized society, including all its social and intellectual manifestations) that you cannot destroy it without at the same time destroying all scientific knowledge of the subject.

It must be said, however, in justice to these writers, that

this Nihilism is not confined to those who would destroy Marxism root and branch. A leaning towards Nihilism is discoverable also in most of those critics of Marxism who go no further than revision, as is well exemplified in their leader Eduard Bernstein, who attempted to prove the *impossibility* of scientific socialism, in a lecture delivered before a body of students at Berlin.

Of course, this Nihilism is not equally pronounced in all of Marx's critics. But it is to be found as a more or less conscious substratum of their criticism in all except those who confine their criticism to some one phase or branch of the Marxian system. These later critics, not dealing with the system as a whole, naturally do not feel the void created by the supposed demolition of the Marxian theory, and can therefore run their course merrily without feeling constrained to either fill the void or account for its existence.

Those however who viewed and reviewed the system as a whole could not but feel the aching void which would be left if the Marxian system were demolished; they naturally looked for another system to be reared in its place, and, that task proving beyond their powers, they fell into Nihilism. Thus the question whether Marxism is or is not science turned into the question whether there is, or could be, any social science. How keenly this was felt by some of the critics of Marxism can be judged from the following statement of Dr. Paul Weisengruen, one of the ablest critics of Marxism and one of those who believe that the whole Marxian system must be abandoned as being radically and basically false. He says, alluding to the so-called "crisis" in Marxism, by which term the Revisionist movement is sometimes designated—"The crisis in Marxism means a crisis in the whole range of social science."

All this makes it absolutely imperative to re-state the Marxian theory, in the light of this new criticism, examining the objections raised with a view of determining whether and how far this criticism has led, or must needs lead, to a revision, modification, or abandonment, of any

of the subsidiary or tributary theories of Karl Marx; and whether such revision, modification or abandonment, if any be necessary, affects the Marxian system as a whole.

This is the only way in which the latter-day critics of Marxism can be properly answered. It is absolutely impossible to reply separately to every book and article written by them. Besides, this would be a waste of energy even if it were possible, for a good deal of this literature is mere repetition, or is based on the same assumptions of fact or logical deduction. And it is also impossible to take one of these writers, as typical of the whole movement, analyze his arguments, and estimate the value of the whole movement thereon, for the reason that Marx-critics are an extremely independent lot and it is therefore hard to find two of them agreeing on all points. Not only does each of them follow his own or what he at least thinks is his own line of argument, and draw his own conclusions, but these arguments and conclusions are very irreconcilable with one another and often have a tendency to refute one another. Furthermore, they do not very often agree with each other as to what is Marxism, that is to say, as to what are the essential elements of Marx's theoretical system. So that among the critics of Marxism the rule seems to obtain that not only does each tub of criticism stand on its own bottom, but that every man constructs his own Marxism. With some of these critics, of the cheaper sort, of course, this method plays peculiar pranks. A Marxism is constructed, which, while easy of refutation, is so much different from the doctrine of Karl Marx and his disciples that nobody cares a whit as to what happens to it.

All of which goes to show that it would not be fair, and well-nigh impossible, to treat any one of these critics as typical of them all. Each is entitled to a separate hearing, if he is to be answered. This claim was expressly put forth by one critic of Marxism. He argued that while Marxists should be held responsible for one another, for the reason that Marxism was a well-defined system of thought and

body of doctrine to which all adepts of the school are expected to adhere, the opponents of Marxism, and particularly those of a nihilistic bent of mind, belong to no school, believe in no particular system, in short are a lot of free lances and must be treated accordingly.

This makes a systematic review of the Literature of Anti-Marxism — the only term which is comprehensive enough to include all of the Marx-criticism — impossible. We will, therefore, at this time, only briefly characterize its leading features, and mention the most important authors, leaving such discussion of any individual writer or argument as may be necessary to the time when that particular part of the Marxian system to which it may be most pertinent will be taken up in the topical discussion which will follow.

The appearance, in 1894, of the third volume of Karl Marx's chief work, *Capital*, naturally led to a revival of Marx-criticism. But this revival was not in any way general, and nothing of importance in this line immediately followed the publication of the third volume of *Capital*, with the single exception of Boehm-Bawerk's essay on "Marx and the close of his system," which, because of the method in which the subject is treated really belongs to the old rather than the new style of Marx-criticism. Boehm-Bawerk's essay which deals with Marx's economic teachings was followed, in 1896, by Professor Rudolph Stammler's important work on the Materialistic Conception of History. The real beginning, however, of the anti-Marxian literary crusade dates from the publication by Eduard Bernstein in 1897 of his series of articles in the *Neue Zeit*, the organ of the German Marxists, under the title "Socialist Problems," in which the first attempts at Revisionism manifested themselves. Later, in discussing the net results of the new Marx-criticism, we shall endeavor to explain the cause which led Bernstein to a discussion of these "problems." Here it is sufficient to say that aside from the inherent importance of the problems and the causes which led up to and brought about their discussion the personality of Bern-

stein played an important part in the profound sensation which his articles, and afterward his book "*Die Voraussetzungen des Sozialismus*," created.

It must be remembered that for years Eduard Bernstein had been one of the recognized exponents of Marxism. He was the editor of the Zurich "Social Democrat," the official organ of the German Social Democracy during the Bismarck anti-Socialist laws. He had for years been closely associated with Frederick Engels, the co-worker of Karl Marx and one of the fathers of "Marxism." He was, therefore, rightfully looked upon by both socialists and non-socialists alike as one of the leading representatives of scientific socialism. His demand, therefore, for a revision of Marxism gave an impetus to Marx-criticism never equalled before. Everything now made for Revisionism. There was a general overhauling of old beliefs and accepted doctrines. The old opponents of Marxism, both open and covert, took heart and mustered again in battle array. Most of them, however, changed their weapons: They threw away the old stock arguments of the old and discarded theoretical arsenals which had become obsolete and useless, and had therefore been left to rest and rust, and took up the more modern weapons of the Revisionists. Hence, the Revisionist hue of all latter-day anti-Marxian literature.

The most important of the writers to be considered, besides those already mentioned, are: Werner Sombart, Th. G. Masaryk, Paul Barth, Rudolph Wenckstern, Franz Oppenheimer, Ludwig Woltman, Tugan-Baranowsky, and Jean Jaures. Another Revisionist whose writings, although of little intrinsic value, arrest our attention by the peculiar reflection they cast upon Revisionism, is Dr. Alfred Nossig, the only man who attempted to raise Revisionism to the dignity of a system.

According to the manner in which they treat the subject, the Marx-critics may be roughly divided into three classes: First, the philosophers, who dwell principally on Marx's philosophic system; secondly, the economists, who examine

his economic theories; and thirdly, the sociologists, that is to say those who concern themselves chiefly with Marx's theories of the laws which govern the development of the capitalistic system of society. That does not mean that this division is in any way strictly observed. To begin with, there are those who, like Bernstein, treat of all the three subdivisions of the subject, although separately from each other. Then there are those who, while making one of the divisions their chief topic permit their discussion to overlap into the other provinces.

In order that the reader may have well in mind during the following discussion the co-relation of the different parts of the Marxian system, and particularly the inseparability of his "philosophy" from his sociology and economic theory, properly so-called, a brief outline of the system is herewith given:

"In making their livelihood together men enter into certain necessary involuntary relations with each other, industrial relations which correspond to whatever stage society has reached in the development of its material productive forces. The totality of these industrial relations constitutes the economic structure of society, the real basis upon which the legal and political superstructure is built, and to which definite forms of social consciousness correspond. The method of producing the material livelihood determines the social, political and intellectual life process in general. It is not men's consciousness which determines their life; on the contrary, it is their social life which determines their consciousness.

"At a certain stage of their development the material productive forces of society come into conflict with the old conditions of production, or, what is its legal expression, with the old property relations under which these forces have hitherto been exerted. From forms of development of the productive forces these relations turn into fetters of production. Then begins an epoch of social revolution.

With the change of the economic basis the whole vast superstructure becomes slowly or rapidly revolutionized."

At any given stage of the development of society based on the private ownership of property that social class which owns the tools of production then in use dominates that society politically. When the material productive forces of society come into conflict with the old conditions of production, a new class has arisen in that society, which disputes the political supremacy of the old dominating class, the class which owns and controls the new material productive forces, and a struggle for life and death then ensues between these two classes. In this struggle the new class invariably comes out victorious. In the social revolution which follows the victory of the new class the new material productive forces are unchained and are given free scope to assert themselves, and the new class, controlling these forces, becomes politically supreme.

"A form of society never breaks down until all the productive forces are developed for which it affords room. New and higher relations of production are never established until the material conditions of life to support them have been generated in the lap of the old society itself. Therefore mankind always sets for itself only such tasks as it is able to perform; for upon close examination it will always be found that the task itself only arises where the material conditions for its solution are already at hand or are at least in process of formation.

"The industrial relations arising out of the capitalistic method of production constitute the last of the antagonistic forms of social production; antagonistic not in the sense of an individual antagonism, but of an antagonism growing out of the social conditions of individuals. But the productive forces which are developed in the lap of the capitalistic society create at the same time the material conditions needed for the abolition of this antagonism. The capitalist form of society, therefore, brings to a close this prelude to the history of human society."



The material conditions needed for the abolition of this antagonism have matured in the lap of the capitalistic system itself by the time it has reached that stage of development when the material productive forces come into conflict with the old conditions of production, and these conditions of production have become obstacles in the way of production and lead to social revolution.

The breakdown of the capitalistic system of production leading to social revolution will be brought about by the inherent contradictions of the capitalistic system of production itself.

The laws which govern the capitalistic form of production will ultimately lead to the extinction of the middle strata of society as independent, property-owning, classes, and divide society into two classes: the very small minority owning all the wealth of society, and the large mass of the people, the working class, who own nothing, not even their own bodies if they want to keep from starvation. At the same time the development of machinery will continue to throw more and more workingmen out of employment and make the share of those workingmen who are employed in the product produced by them grow continually smaller. The productive forces of society will not only become fettered, so that they will largely have to remain idle, but even that portion which will not remain in enforced idleness will be able to produce only with tremendous accompanying waste and convulsive interruptions, until finally, a point will be reached when, by the very conditions of capitalistic production, because of the large portion of the working class out of employment and the small share of the goods produced by them received by the employed workingmen in return for their labor, there will accumulate such an enormous mass of goods which the capitalists will be unable to dispose of, that is to say find a market for, that production will have to be indefinitely suspended, unless a new basis of production be found.

Meanwhile the discontent of the working class has been

See Say's Law.

growing, and the sense of the injustice done to it accumulating. It has developed a code of ethics of its own. Having no property themselves the workingmen have lost all sense of the sacredness of private property. Most property being owned by corporations having "no body to be kicked and no soul to be damned," they fail to see the necessity of private ownership or the usefulness of private owners. They have nothing to lose, and they have grown bold. They have forgotten their duties to their families, for which they can do nothing and which are, for the most part, their independent co-workers instead of dependents, but their sense of duty to their class has been constantly growing upon them during the long period of struggle preceding the final encounter.

The working class has been organized by the very process of capitalistic production and exploitation. It has been educated to understand its own powers and possibilities. It is animated by the world-historic mission devolved upon it. It contains within its own ranks all the elements necessary for conducting the production of society on a higher plane, so as to utilize all the productive powers of society. The mechanical development of productive forces requires production on a large co-operative basis. The working class takes possession of the social machinery, and the real history of human society begins — the co-operative commonwealth.

## CHAPTER II.

### MATERIALISTIC CONCEPTION OF HISTORY AND CLASS STRUGGLE.

One of the most amusing features of modern Marx-criticism is the grave discussion by the critics, of the question whether or not Marx was a philosopher and whether or not Marxism is a philosophy. Most divergent and contradictory opinions are current among the many eminent and learned critics. And not only this but the most contradictory accounts are given by them as to what Marx himself thought on the subject. The confusion is so great that there seems to be no way out of it,—unless one turns to Marx himself, or to Engels. . . . This, by the way, is always the best way out when one finds himself in one of the mazes of contradictory accounts of Marxism which so abound in anti-Marxian literature.

A careful study of the writings of Marx and Engels discloses the fact that in their opinion what used to be known before their day as "philosophy" reached its culminating point and came to a close with Hegel; that henceforth the place of philosophy is taken by science. Already Ludwig Feuerbach said:—"My philosophy is—no philosophy," and Marx and Engels carried this statement into effect by replacing abstract philosophy by concrete science. Engels therefore says:<sup>1</sup> "This conception (the materialistic conception of history) puts an end to philosophy on the historical field, just as the dialectic conception of nature makes all natural philosophy unnatural and impossible." Marxism is no abstract philosophy. It is just the

<sup>1</sup> Frederick Engels, Ludwig Feuerbach und der Ausgang der Klassischen deutschen Philosophie. Stuttgart, 1895.

reverse, it is concrete science, and therefore the heir and successor of all philosophy.\

It is heir to all philosophy, because notwithstanding the break with the old philosophy which the new method of treating human society has effected, and the superceding of philosophy by science, there is a continuity of thought running through philosophy and the science of human society just as there is a continuity of human society itself notwithstanding the changes in the form of its organization, or just as there is continuity in the economic structure of human society notwithstanding the different "economies" which were prevalent at different stages of its development.

The Marxian science is the result and logical sequence of the whole development of mankind. Marx found awaiting him the component parts of his philosophy: the dialectic or evolutionary method of contemplating the world, and the materialistic view, the view that the material conditions of the world being the only thing we know are therefore the only thing we can take cognizance of. His was the new combination and the method of application which, however, were loudly demanded by the needs of the time.\

In order, however, that we may come unbiased to the study of this science which is variously known as "economic materialism," "dialectic materialism," or "The Materialistic Conception of History," we must rid ourselves of some prejudices which cling to the name because of the association of the words which represent the ideas forming its component parts, in vulgar parlance, with certain objectionable moral and mental qualities. Dialectics is commonly associated with a certain mental trick by which a shrewd debater *seemingly* proves something which may be quite untrue; the reasoning by which the proof is produced contains a mental shuffling of cards. It is sometimes used in the same sense as "sophistic,"—another much-abused term. But worse yet are the vulgar associations of materialism. A materialist is commonly supposed to be a man who is gross, mean and egotistical. A materialist phi-

osopher, according to the common notion, is a man whose ideas are chained to the gross pleasures of life, who always has his eyes open to the main chance; a man who has neither God in his thoughts nor humanity in his feelings; a man to whose constitution any "ideal" or "higher" motive is an absolutely foreign element.

This is, of course, fallacious. Philosophic idealism or materialism have absolutely nothing in common with the influence of, or adherence to, ideal motives in practical life. Idealism or materialism in philosophy is simply the question whether we must go beyond the world that we perceive with our senses in order to get to the real world, that is to say, to the world which has a full and independent existence, and therefore contains in itself the laws of its own existence and development. The idealists or at least those of them who are consistent insist that the world of matter which surrounds us and includes us has no independent existence at all; that certain non-material things, or *ideas*, are the only things having an independent existence, and therefore their own laws of development; and that the material world merely follows the development of those ideas, of which it is the shadow or manifestation. The materialists, on the other hand, declare that the only real world; for us, is that material world which we perceive with our senses; that, furthermore, we know nothing beyond what knowledge we gain by the help of our senses, that ideas have not, and can not have any real independent existence, but are merely the *reflection* of the material world as perceived by us through the medium of the senses.

This is something different, and apart, from the preconceived notions of idealism and materialism. It is now easy to understand that the fact that one is a materialist in his philosophic views cannot possibly prevent him from, or have any bearing upon, his being an "idealist" in practical life. Nor is this changed by adding "dialectics" to materialism, that is to say by transferring the discussion to the historical field, because that is all that "dialectic method" really

Shadow of the  
conceptual  
of God - Philo

means. In other words it simply means that we do not look at the world as something dead and unchangeable, but as something which is continually changing; as the great Greek philosopher who first saw this great truth expressed it: nothing *is*, everything becomes; or, to be more exact, existence is a constant process of change or growth. If we want to understand things we must understand their appearance and disappearance, their growth and decline.

This way of contemplating things in their *movement*, of studying their birth, growth and decline, when applied to the study of the history of human society by a materialist, that is to say by one who knows that only material facts exist and develop independently, and ideas only reflect the existence and development of the material world,—is the Materialistic Conception of History, the foundation of the Marxian Scientific System. In other words, the Materialistic conception of history maintains that the evolution of human society as a whole, and that of all human institutions, is not, as the idealists insisted, the result of the changes in men's *ideas* relative to the society they were living in and its institutions, which changes are brought about by the inherent law of development of the ideas; but that, quite to the contrary, the development of society, including men's ideas of human society and institutions, are the result of the development of the material conditions under which men live, that these conditions are the only ones which have an independent existence and development; that the changes of the material conditions cause the institutions of human society to be changed to suit them; and that the ideas on all subjects relating to man in society, including those of right and wrong between ~~man and man~~ ~~and even between man and his God~~, are changed by man in accordance with and because of, those changed material conditions of his existence.

As was stated before, both the component elements of this philosophy, the materialistic "view" and the dialectic "method," were found by Marx ready to do service, and his

great merit in this field was the combination of the two, and the reduction of the combination to a clearly defined system.

This, however, was not all, and perhaps not even the most distinctive contribution of Marx to philosophy-science. The mere statement of the philosophic doctrine still left the *course* of human history unexplained, until Marx applied his genius and transformed history, a sealed book to his predecessors, into a science. A science which, if not as exact, is just as useful, as any one of the exact sciences. This he achieved by abandoning abstract speculation and treating history scientifically. That is to say, he examined history itself for the facts, in order to obtain from such examination the laws of their evolution and relation to each other. This was strictly in accordance with his materialistic "philosophy" which would not admit of any outside preconceived constructions, and insists that we get all our knowledge and ideas from the existing "matter" itself.

His "Materialistic" conception gained, the next thing for Marx to do was to determine what were the "material" factors of history. His investigations led him to the belief that the economic conditions were the prime movers of history. Accordingly, he found it necessary to substitute the term "economic" for the term "material." This completed Marx's conception of history and gave it that distinguishing characteristic which stamps it, and the whole of it, as truly Marxian, notwithstanding the many claims of priority; that characteristic which at once gives it its scientific value and makes it the butt of all pseudo-scientific criticism.

The great merit of this theory of history, is—that it really explains the course of history, something which could not be said of the previous attempts at explaining history, including those of "materialists" like Taine and Buckle.

Marx's insistence on the predominance of the economic factor is not the result of any arbitrary predilection or any

preconceived schematic explanation brought into the study of history from outside considerations. The economic factor is insisted on as THE material factor because it is the only material factor that changes and develops, and consequently is the only one which can cause change and development in what Marx calls the "superstructure" of society. It goes, of course, without saying, that something that does not change can not produce any change. No mathematician has ever attempted to ascribe the change in the result of a mathematical operation to the factors that remain constant. It is the varying factors that produce changes in the result. But all the material factors that have been mentioned beside the economic factor remain constant, or nearly so. Such are race, geography, etc. To the extent, however, that these factors do change, and by their change affect the course of human history, full credit is given them. So in the study of primitive, undeveloped, society, where, owing to the crude character of his tools, man is dependent entirely upon nature and is directly affected by its least changes, or where, as in the case of great discoveries, certain geographical features hitherto of no importance become important, these factors are fully recognized and their influence carefully studied and determined.

In other words, all the material factors, outside the economic, are "taken into account," except that upon careful account taken the influence of these factors appears to be very small and tributary to the main, the economic, factor; and, (and this is most important of all) this influence is constantly diminishing with the progress of mankind. They may, therefore, be left out of account when outlining the general scheme of the evolution of society.

The adherents of the Materialistic Conception of History therefore assert that production, and, next to production, distribution of the product, is the basis of every social order; that in every historic form of society the division of the product of human labor produced by it, and with it the social arrangement into classes or estates, depends on



what and how is produced in that society, and how the product is exchanged. Accordingly, the last causes of all social changes and political transformations are to be sought not in the increasing insight of men into the laws of eternal truth and justice, or some similar "ideas," but in the changes of the methods of production and distribution — not in the philosophy, but in the economics of the given epoch. They are not to be sought in morality, because morality itself is changeable and is itself the result of circumstances which lie deeper in the structure of human society. "Every moral theory which has existed until now was, in last analysis, the result of the economic conditions of the society in which it prevailed. The awakening insight that the existing social arrangements are unreasonable and unjust, that reason became nonsense and charity torture, is only a sign of the fact that the methods of production and forms of exchange have been quietly undergoing such changes that the social arrangements which have been cut to suit previous economic conditions are now out of joint. It also betokens that the means of remedying the discovered evils have already to a more or less degree been evolved with the changed relations of production."

The basis and superstructure of society of which Marx speaks in his famous preface to his "Zur Kritik," a portion of which was quoted in the preceding chapter, may therefore be formally constructed on something like the following plan. The basis of the structure is a given state of the development of the productive forces of society; this brings about certain relations between the individuals composing that society in the social process of production and distribution, which determine the division of the product among them; this, in its turn, results in a certain form of society, certain social institutions, which express these relations; the society is then permeated by a condition of the minds and a set of habits and customs which conform to the social forms of that society; and all this culminates in the philosophy, literature, and art of the society which will be

the result of the abilities, the tastes, and inclinations which this condition of the minds, the habits and customs will produce. ✓

The ideas which prevail in a given society exert a powerful influence on that society. These ideas, however, have their source in the social milieu of that society, which milieu, in its turn, is the result of the economic relations of that society. ✓ The ideas, therefore, whether political, moral, religious, or otherwise, which prevail in a given society, and which influence the conduct of men in that society while they prevail, cease to prevail, and are gradually discarded, when the economic conditions in which they had their inception undergo a change. ✓ Furthermore, in our society, which is divided into classes based on economic interest, the ideas prevailing in it at any given time will not only be the result of certain economic conditions, but will in the main answer the needs, desires, or aspirations, of some social class which was brought to the front by those economic conditions. ✓ So that there may be, and very often there is, more than one set of ideas current in a given society at the same time; that these ideas may be in direct conflict with each other; and they are held, respectively, by those classes of that society whose interests they give expression to. ✓

*more than one idea in society.*

Usually there is only one set of ideas prevailing in society, and for the following reasons: In our society, that is, a society based on the private ownership of property, there is always a class of persons having in their possession or control the means wherewith society produces the things on which it subsists and from which it derives its comfort. This class, by reason of its control of society's means of production, carrying as this does with it the management and supervision of society's production and exchange, shapes the institutions and customs of society to suit its interests and to insure its dominion in society. It has absolute sway except that it must not disregard the law of its own existence. That is to say: its dominion must be

exercised in conformity with and in furtherance of the economic powers which created it, giving them full play, so that their latent forces may fully develop and give to society all the benefit there is contained in them.

This dominion of the class which controls the production of society is due not only to the coercive power it possesses over the other members of society by reason of such control, and of the control of society's means of subsistence and comfort which result therefrom, but also to its persuasive powers. From the standpoint of interest it must be admitted that its interests lie along the road of the progress of society, and therefore coincide with the interests of society as a whole. From the higher, "ideal," standpoint its position is also impregnable: what it obtained by might has in due course of time become its right by the rule of prescription, (euphoneously known as "tradition,") the greatest and most potent source of right, as it requires no evidence of title and works itself into the very inner consciousness of man and becomes co-extensive with his feelings. To help and augment this natural feeling of its right, the dominating class, which controls the spiritual food of society along with the material, inculcates the ideas of its rights into the members of society artificially. So that the whole of society is usually permeated with the ideas of the dominating class.

But "the world do move." Man, in his struggle with nature for its domination, is very inventive. His inventiveness (its tempo) will depend on many circumstances, but is almost continual, resulting in an almost constantly progressing change of the tools wherewith he exploits nature. With the change of tools he changes the methods, and sometimes the field of his exploitation. The change does not, however, come suddenly. The new, improved, tools, and the new methods which they bring with them, are being slowly perfected and brought into use, and slower still are the new fields of exploitation becoming popular. But the march of the new economic force embodied in the new tool is irresistible.

Struggle of Class (?)

ble. Slow though its progress be at first, it gains in velocity and momentum as it proceeds onward, like the falling stone, until its slow progress is converted into a rushing torrent sweeping along in its course all obstacles.

[When a new tool makes its appearance, a new political force is born into society. ]This force grows with the growth of the importance of the new tool in the economy of society, and, in its turn, helps the new tool to unfold itself properly, if it is hampered by artificial barriers from asserting itself. This new political force, the class which owns and controls the new tool, and consequently the product which is produced by means thereof, enters into a struggle with the then governing class, that is with the class which owns and controls the old means of production, and this struggle for the control of the organization of society grows from day to day with the growth of the use of the new tool. Each recruit to the new field of economic activity becomes a soldier in the army of the class controlling that field.

This struggle continues until the inevitable result is reached: Economically, the new improved means of obtaining society's goods becomes pre-eminent; politically, the class which operates and controls those improved means of production becomes predominant. Then a new order of things is created; if the new method of production is sufficiently different a new society is born; new political institutions, new religious beliefs, new moral notions, new æsthetic tastes, new philosophic systems. So does History run her course. The new of yesterday is the old of to-day, and the new of to-day is the old of to-morrow. Each order of things is in turn young and old; struggling for existence and recognition first and then struggling for existence and the maintenance of its authoritative position against the recognition of new elements which threaten to undermine its existence. The progressive of to-day is the reactionary of to-morrow.

In this struggle for existence between two economic

ideas

forces and the two classes of society representing them, for social dominion, force as well as persuasion is usually used, the manner and proportion of their use being determined by local influences. The established opinion, whether born of interest (class-interest) or received by tradition exerts a powerful influence on society as a whole, as already stated, until the new economic forces become strong enough to formulate their own set of opinions, their own "ideology," and inculcate them into the minds of men. The new ideas formulate slowly, and make converts even more so. But when the time has come, society has become sufficiently revolutionized economically, these ideas become a revolutionary factor in themselves and help destroy the old order of things. Not only is the class whose interests lie in the economic changes which gave birth to these ideas fired by these ideas to such an extent that it often forgets those economic interests themselves and is carried away by the ideas alone, but neutral classes of society and even people whose interests lie in the opposite direction are carried away by the new ideas and enter the lists for the new order of things. And this for the reason that the new ideas are always the reflection of the economic changes which lie along the progress of society as a whole.

New ideas, therefore, are always the result of new economic conditions, produced sometimes directly and sometimes indirectly; but they always have an important place in the struggle of the classes for the progress of human society, for each new class fights for society as well as for itself. They truly characterize the social forces engaged in the struggle.

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### CHAPTER III.

#### THE MATERIALISTIC CONCEPTION OF HISTORY AND ITS CRITICS.

The first of the objections to the Materialistic Conception of History advanced by the Marx-critics which we will consider here is the so-called "philosophic" objection. We will consider it first because of its great pretensions and because of its old age, it being in reality merely a new edition of the old idealistic philosophy with which Marx had to deal as far back as 1845. In its pure, idealistic form Marx squared his accounts with it in his own masterly fashion in his book "*Die Heilige Familie*." The account was settled, the balance was struck, and no more was heard of idealism. It now re-appears bashfully under cover of a scientific theory of cognition and psychology. No matter what its garb, however, it is essentially the same, except that with the loss of its purity it has lost its logic. Pure idealism, as represented by Hegel, for instance, is logically a perfectly constructed edifice. It rests on false foundations. But its premises admitted, its logical construction is impregnable. Not so with modern "philosophy." It is idealistic without the logic of the finished idealistic structure. What is worse, however, it is reactionary, which is not necessarily an attribute of idealism. Desiring to avoid the logical consequences of the development of philosophy, in which the idealistic system of Hegel must inevitably be followed by the materialism of Marx, its watchword is: "Go back." And the further back the better. . . . So that we find Weisengruen, a leading light among these philosophers, throwing loving glances at Berkeley, who was perhaps as much of an idealist as Hegel himself, but

utterly devoid of the historic sense which made Hegel a truly great philosopher and his system a great step forward in the development of philosophy.

Indeed, their aversion towards anything that has some historic sense leads Weisengruen, otherwise a sane and bright thinker, to declare that the real force that makes History is the imagination or phantasy (*Phantasie*). To use his own words: "Phantasy is the demi-urge of all History. . . . Not the developed intellect, but the elementary phantasy."<sup>1</sup> A discovery which is worthy to rank with that of the charlatan Nossig, who, after posing as a great scientific Marx-critic, gravely announced, with all the pomp of pseudo-science, that he discovered a remedy to all our social evils in the old Jewish custom of the Jubilee.

We cannot, however, go here into the details of the philosophic objection and its numerous variants. Such discussions are only intended by their authors for German professors and such others as enjoy the perusal of bulky volumes. Under no circumstances are they meant for people who have no time to spend on the verbiage of metaphysical speculation. We will simply say, therefore, that the sum and substance of all these arguments amounts to this: That there is no way in which material conditions can be shown, philosophically, to turn into ideas; consequently, that ideas cannot be the result of economic conditions; and that, therefore, the existence of ideas and their influence on History not being denied, economic conditions cannot be the prime movers of History.

The answer to all of which is, again without going into long and abstruse philosophic discussions, that, as Engels puts it, the proof of the pudding is in the eating; that if we can prove by historic *data* that the development of ideas *did* follow the development of economic conditions then we need not worry over the "philosophic" question of how the transformation was accomplished. It will then be the

<sup>1</sup> Paul Weisengruen, *Der Marxismus und das Wesen der sozialen Frage*. Leipzig, 1900.

business of "philosophy" to take care of itself and show how it was done or frankly confess its impotency. It is clearly a case of those philosophers' own funeral.

It is true that the learned philosophers, in the person of Professor Masaryk,<sup>1</sup> strongly object to the introduction of such vulgar "matters" as puddings into the discussion of such lofty subjects. But the loftiness is all theirs, and we who do not soar in the realms of phantasy can very well afford to stick to the gross "material" facts. We, therefore, claim, with Engels, that the proof of the materialistic conception of history is to be looked for in history itself.

But when it comes to actual history, these philosophers must admit that the facts, or at least a good many of them, happen to tally with the "unphilosophic" Materialistic Conception of History. So says Weisengruen himself:

"For certain historical relations within certain periods of time this historical theory (The Materialistic Conception of History) is a relatively correct, practical, explanatory principle (*Erklärungsprincip*). We can, for instance, by its aid drag out from historical obscurity the more hidden economic forces which propelled the French Revolution. We can, by its aid, I am convinced, throw more clear and glaring light on the period of decline of the Roman Empire, than could be done until now. Many phases of the German middle ages may be understood by us with the aid of a mild economic motivation. The powerlessness of the German Bourgeoisie, particularly during the year 1848, may be partly explained by purely economic causes."

As the reader will see, this great opponent of Marxism, who in another place of his book insists that Marxism must be thrown overboard, bag and baggage, is willing to concede quite considerable to the Materialistic Conception of History. In fact, he has nonchalantly conceded almost all of European History since the beginning of the Christian Era (the breaking up of the Roman Empire, the German

<sup>1</sup> T. G. Masaryk, *Die philosophischen und sociologischen Grundlagen des Marxismus*. Wien, 1899.



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middle ages, the French Revolution, the German Revolution), with the exception of the Renaissance, which he specifically exempts from the influences of material conditions and reserves it, supposedly, for "higher" influences. He then draws the general conclusion that some relations ("Zusammenhänge") and periods may be treated according to the Materialistic Conception of History, and others may not. Curious as it may seem for a philosopher to arrive at such half-way conclusion about a purely philosophic matter, it is even more curious to observe that this same philosopher and critic, instead of following up his conclusion by an examination of the provinces and periods in which the Materialistic Conception of History does apply and in which it does not, turns around and declares that as far as we can see, there are no historical laws at all, and that it is practically impossible to write or treat history scientifically; in short, that there is no historical science. This Nihilism, which, as we have said, is the last recourse of the opponents of Marxism if they want to keep at least the show of being scientific, is very significant, as we meet with it not only in the province of philosophy of history, but all along the line of sociology, including political economy, as we shall see later.

But it is not only the Nihilists among the Marx-critics who do not follow up their criticism with the only decisive proof, that mentioned by Engels, the proof of history. Instead, they indulge in generalities; such, for instance, as:—Marx gives "undue" "prominence" to the material factors and disregards factors which ought to be considered. Expressions that mean absolutely nothing, because of their indefiniteness, and are absolutely incapable of verification, by any method, except, perhaps, the "subjective" one of everybody deciding for himself, according to his fancy, which factor got its "due," and which did not.

The slowness on the part of Marx-critics to talk more definitely is not due to any desire to be brief. These gentlemen are usually quite voluble. It is simply a case of dis-

cretion. Whenever they do say something definite it can easily be shown that either the historic facts do not bear out the critics or that Marx never said the things attributed to him. It seems that most of the critics of Marxism suffer with a singular malady which may be termed, "Confusion of Terms and Ideas," which makes them attribute to Marx and his disciples all sorts of things which neither Marx nor his disciples said or could have said, as appears plainly from their writings, with which these critics are very familiar. So do, for instance, Professor Barth,<sup>1</sup> Weisengruen and others, make what they evidently regard as a very strong point against the Materialistic Conception of History by showing that the changes in the technical development of the means of production can not, alone, explain all the facts of History. In this they are undoubtedly right. But,—and there is the rub,—the Marxists never claimed any such thing. The assumption that the Marxists do claim such a thing evidently rests on the confusion by the critics of the terms "economic conditions," usually employed by the Marxists with the term "technical development." A confusion which does not do much credit to the faculty of discrimination possessed by these gentlemen, and which seems most surprising in such acute and astute thinkers. .

It seems peculiar that such a simple matter should require long explanations. But all Marx-critics seem to be so much affected by the disease referred to, that it is pretty dangerous business to take it for granted that they are able without outside aid to see the most obvious distinctions and differences. Be it therefore said here for the Nth time, that while changes in the technical development of the means of production usually go together with changes in the material conditions of the people, they do not necessarily so go together and are separate and distinct from each other. While the technical developments in the means of production and distribution are the chief cause of changes in the

<sup>1</sup> Paul Barth, *Die Philosophie der Geschichte als Sociologie*. Leipzig, 1897.

material conditions of the people, they are not always so and not necessarily so. There are other causes which may affect the material conditions of the people, and there are changes in the technical part of production and distribution which do not at all affect the material conditions of the people. And the Marxists claim that it is the changes in the "material conditions" that are the prime movers of history, no matter what the causes of these changes may be. The technical development only affects the course of history indirectly and only in so far as it causes changes in the material conditions under which people live and work.

The same malady,—Confusion of Terms and Ideas,—is the cause of another great objection to the Materialistic Conception of History. This is advanced with great vehemence by most critics of an "ethical" bent of mind, among others, by the well-known English socialist, E. Belfort Bax. It is to the following effect: People do not always act out of self-interest. They are very often swayed by ideal motives and then act quite contrary to their own interests. Hence, the fatal error of the Materialistic Conception of History in making the "material interests" the prime movers of History.<sup>1</sup>

This objection has been partly answered already in a preceding chapter, where it was pointed out that the Materialistic Conception of History has nothing to do with the question of individual idealism. That it was not a theory explaining the motives which impel individuals to act, but a historical theory explaining the motive powers which bring about those actions of the masses, the aggregate of which make up what we call history; the powers which are the "causes of the causes" of individual action. A man may very well act against his own interest, even sacrifice his life, for the sake of an ideal, and yet his ac-

<sup>1</sup> E. Belfort Bax, *Die Materialistische Geschichtsauffassung*, in *Die Zeit* (1896). *Synthetische contra Neumarxistische Geschichtsauffassung*.—*Die Grenzen der Materialistischen Geschichtsauffassung*, in *Neue Zeit* (1897).

tion may be the result of the material interests of a class or group to which he belongs or which produced that ideal. For example: The ruling class of Japan needs new markets for its expanding industries. Russia is in its way because the ruling classes of Russia for some reason or other need the same markets. Japan and Russia go to war for the control of these markets. This begets a high patriotic fever in both countries, and thousands and tens of thousands of people sacrifice their lives willingly for the high ideal of "My country forever." Among those thousands there are very few who are directly "interested" in the issue of the war, and even these would probably never give away their lives for those "interests" if it were put up to them as a mere business proposition. Most of those who will sacrifice their lives in this war for the "honor" of their country will be people who have no "interest" in the war, who may be even affected injuriously by the war, but they sacrifice their lives for the high ideal born and begotten of the interests of their class, or of the ruling class under whose moral and intellectual tutelage their class stands. While the actions of the individual participants in the war are, therefore, the result of ideal motives, the historic event itself, the war, is the result of material interests, which are in their turn the result of economic conditions.

Aside from the confusion, however, between the motives of individuals and the motive powers of History, this objection also rests on the further confusion of "conditions" with "interests." The Marxists never claimed that material "interests" control the course of History. They always use the expression, "material conditions" in formulating their theory; and material conditions are something entirely different from material interests. Material conditions usually beget material "interests," which shape the course of History, but not always and not necessarily so. Sometimes material conditions will bring about historical phenomena which are not the result of any "interest" in

the usual sense of that word, but merely of the condition itself. Karl Kautsky in a discussion with Belfort Bax used this example: The turning away from all earthly interests, the longing for death, of early Christianity may,— he says — very well be explained by the material *conditions* of the Roman Empire at that time. But it would, of course, be monstrous to attribute the longing for death to some material *interest*.

If the learned critics would only carefully refrain from substituting other terms and ideas in place of those used and expressed by Marx and his disciples a good deal of their criticism would fall of itself, and the rest could easily be answered. So, for instance, would a careful reading of Marx and a clear comprehension of the terms used by him do away with all the objections which admit that the economic factor plays an important role in history but think that "too much" is claimed for it, and that other factors are "not taken into account."

So do most of the critics talk of Marx's failure to "take into account" such things as human nature, race, geography, etc. Those of our readers who have read carefully the preceding chapters will have seen that these things have all been "taken into account"; and that when the Marxists still insist upon the economic factor as the determining factor of historical progress it is because this factor is the only one which accounts for the *movement* of history, the *progress* of the human race from one state to another, as all the other factors are comparatively stationary, and could therefore account perhaps for a *condition* of the human race but not for its *Progression*.

That it was not any failure to "take" these things "into account" that led Marx to proclaim the economic factor as *the* material factor which *moves* history, a mere cursory reading of Marx will show. In his work on Capital, he says:

"Aside from the more or less developed condition of social production, the productivity of labor depends on natu-

ral conditions. They are all reducible to the nature of man himself, such as race, etc., and his natural surroundings. The outward natural conditions can be divided, economically, into two great classes; natural wealth in the means of subsistence, such as richness of soil, fish-abounding waters, etc.; and natural wealth in means of production, such as usable water-falls, navigable rivers, woods, metals, coal, etc. In a primitive community, the first class of natural wealth is of paramount importance, on a higher plane of civilization it is the second class that is the most important."

To insist after this on the "technical development" being the only historical factor recognized by Marxists would seem absurd. But Marx critics are a peculiar race. There is nothing that they cannot do, or at least say. From what was said in the preceding chapters it would seem clear that Marx and his disciples not only recognize the influence of ideas, but accentuate it, and that in their scheme of the transition of the capitalist system into socialism, ideas play a distinct and quite important role. And yet most of the critics still tell the old yarn of the Marxists not admitting the influence of ideas. Furthermore, they are not a bit abashed when they are shown by quotations from Marx that he thought just the other way. When they are caught "with the goods on," they very coolly declare that Marx is contradicting himself. That is, the Marx of "Capital" and his other well-known works, is contradicting the Marx which they put up for their readers' delectation. Indeed, lately this business of "refuting Marx by Marx" has developed into a special industry, which would contribute a good deal to the gayety of nations if they were only in the mood for it. As it is, the "nations" which read these things are worried too much by the subject-matter to be amused. It will, however, be amusing to our readers, and we shall attend to these "contradictions" in due time. We must, however, defer this treat until the time when we will come to consider the Marxian system in its entirety, as a

reward to our readers for their patience. Besides, it will then be better appreciated. Here, we will mention only one as an example:

The Russian critic Ludwig Slonimski finds this contradiction: Marx,—he says—put up the theory that economic and class interests are the only motives of the political and legislative activity of the State, and yet he himself tells us of the praiseworthy activities of some factory inspectors, particularly Leonard Horner, who, he says, deserved well of the working class for protecting their interests!<sup>1</sup>

Is it not really surprising that Marx is still thought of a good deal in some quarters, and that people generally refuse to accept the decision of M. Slonimski who announces that: "No matter how much the admirers and followers of Marx who believe in the scientific character of his method may protest, the truth is that he merely created a Utopia which is vulgar in its nature and is only suited to the narrow horizon of ordinary workingmen and to the notions of the imagination of those who see in the amount of pay they receive for their labor the highest blessing?"

We will also leave for future consideration the question of the "modification" of the Marxian theories at the hands of their authors, of which there is so much talk in the literature of Revisionism. These supposed "modifications" are really nothing more than an attempt to make the supposed contradictions plausible, and deserve to take their place alongside of them. We will, therefore, limit ourselves at this place to objections springing from mere confusion of terms and ideas. We want to say again, however, that the malady is so general with Marx-critics, and its ravages so extensive that it is absolutely impossible even to recount them properly, not to say analyze them all, and we will perforce be compelled to attend only to some shining examples. There are some individual writers who at least

<sup>1</sup> Ludwig Slonimski, Karl Marx' Nationaloekonomische Irrlehren. Berlin, 1897.

by volume, if by nothing else, have won for themselves a place of honor in the roster of Marx-critics, and we will have to return to them again when occasion offers. So, for instance, Professor Masaryk, to whom we intend to pay our respects later on. Here we only wish to add to the confusionists already mentioned, our own Professor E. R. A. Seligman of Columbia University, President of The American Academy of Political and Social Science, etc., etc., who has written what our book-reviewers call "a very readable" little book entitled "The Economic Interpretation of History." It must be admitted that Professor Seligman, being an American, believes in fair play, and that he is "eminently fair" and even generous to Marx. With this, however, and perhaps, because of it, he is exceedingly superficial, and scandalously confused. We shall return to the gentleman at some future time in a discussion of the question of "monism" in history, of which he treats. We do not consider a discussion of that question properly within the bounds of the present discussion, for the reason that the question of "monism" is not one which affects the Materialistic Conception of History alone. It affects the idealistic conception of history just as well. In other words, it is a question that affects philosophy in general. As such it also affects the materialistic conception of history, but it is not an objection exclusively directed against Marxism,—our present topic of discussion. Of course, all these questions are inter-dependent, particularly with the confused mode of treatment pursued by most Marx-critics, who usually serve up in their writings a Hungarian Gulash or an American hash of objections of all sorts and kinds thrown together. Here, therefore, is, for the present, a mere taste of our American Marx-critic. We will serve the preparation in its original wrapper, and let the readers dissect or analyze for themselves. He says:

"All human progress is at bottom mental progress; all changes must go through the human mind. There is thus an undoubted



psychological basis for all human evolution. The question, however, still remains: what determines the thought of humanity? . . . This claim (that all sociology must be based exclusively on economics, and that all social life is nothing but a reflex of economic life) can not be countenanced for the obvious reason that economics deals with only one kind of social relations and that there are as many kinds of social relations as there are classes of social wants. We have not only economic wants, but also moral, religious, jural, political and many other kinds of collective wants; we have not only collective wants, but individual wants, like physical, technical, æsthetic, scientific, philosophical wants. The term 'utility,' which has been appropriated by the economist, is not by any means peculiar to him. Objects may have not only an economic utility, but a physical, æsthetic, scientific, technical, moral, religious, jural, political or philosophical utility. The value which is the expression of this utility and which forms the subject-matter of economics is only one subdivision of a far greater class. For all the world is continually rating objects and ideas according to their æsthetic, scientific, technical, moral, religious, jural, political or philosophical value without giving any thought to their economic value. So far as utility and value are social in character, that is, so far as they depend upon the relation of man to man, they form the subject-matter of sociology. Economics deals with only one kind of social utilities or values, and can therefore not explain all kinds of social utilities or values. The strands of human life are manifold and complex.

"In this aspect what is untrue of the individual can not be true of the group of individuals. We have passed beyond the time when it was incumbent to explain the fallacy lurking in the phrase 'the economic man.' There is indeed an economic life and an economic motive—the motive which leads every human being to satisfy his wants with the least outlay of effort. But it is no longer necessary to show that the individual is impelled by other motives than the economic one, and that the economic motive itself is not everywhere equally strong, or equally free from the admixture of other influences. A full analysis of all the motives that influence men, even in their economic life, would test the powers of the social psychologist. There is no 'economic man,' just as there is no 'theological

man.' The merchant has family ties just as the clergyman has an appetite. . . .

"In one sense, accordingly, there are as many methods of interpreting history as there are classes of human activities or wants. There is not only an economic interpretation of history, but an ethical, an æsthetic, a political, a jural, a linguistic, a religious and a scientific interpretation of history. Every scholar can thus legitimately regard past events from his own peculiar standpoint."<sup>1</sup>

Has anybody ever been across a greater mix-up of truths, half-truths, untruths, platitudes and meaninglessness? Whatever may be said as to whether or not "the strands of human life are manifold and complex," one thing is quite certain: Human life is too short for one man to attempt to unravel all this nonsense.

Great!

If all changes (Changes of what? Of environment or of environment into institutions or ideas?) must go *through* the human mind but do not originate there, why is all human progress *at bottom* mental progress? Isn't the thing which changes, and its changes which go *through* the human mind, at the *bottom* of human progress, and the mental progress, the result of these changes going *through* the human mind, only the *top* of human progress? Is not Marx right when he insists that the changes which go *through* the human mind are the *basis* of all social progress?

What does the learned professor mean by "social wants" and "collective wants," and are these terms interchangeable? And why does he slide down from social or collective wants to individual wants? Does he mean to say that the Materialistic Conception of History is incorrect because it does not explain or "take into account" individual wants? What does he mean by "technical" want as an individual want? Does he mean to say that Physical and Technical "wants" (whatever these may mean) are not material wants? Are not technical relations exclusively so-

<sup>1</sup> Edwin R. A. Seligman, *The Economic Interpretation of History*. The Columbia University Press, 1903.

cial and economic relations? Doesn't the learned professor know that some Marx-critics, among them his distinguished colleague Professor Barth, object to the Materialistic Conception of History because the technical development alone does not explain history? And who is right? Professor Barth, according to whom the "technical development" is all there is of Marx's explanation; or Professor Seligman, who objects to Marx's explanation because it does not include the "technical wants?" Will the gentleman kindly vouchsafe an explanation of "scientific" want, "philosophic" want, and "jural" want? What does he mean by "jural" relations? Does he mean the social relations as expressed in codes of positive law? If so, does not he know that these laws deal almost exclusively with the property relations of people, which are certainly material and economic relations; and that all the few exceptions "deal" in "morality;" and that *all* jural relations are, therefore, necessarily contained in the economic and moral relations, indeed, are their expression?

What does Professor Seligman mean by suddenly, without warning or explanation, substituting "economics" for economic interpretation of history, and in talking of "economic," "economists," "utility," "value," as if the Materialistic Conception of History were an explanation of history by means of the special science known as political economy? Does he mean to say there there is any warrant in Marx even for a suggestion of this kind, or does he simply speculate on the ignorance of his readers who probably know nothing about Marx, except that he was a writer on political economy? And is that why he first changed the Materialistic Conception of History into an "Economic Interpretation of History?" Is it all intentional confusion, or is he really so confused? And why does he tell the Marxists "that it is no longer necessary to show that the individual is impelled by other motives than the economic one," have not they themselves reiterated this for the benefit of their critics ad nauseam? And hasn't Marx himself

put the "economic man" to rest in his grave, from which the opponents of Marx are now trying to raise him? As an economist he ought to know these things. But if the demise of the "economic man," and the attempts at his resuscitation have not been noted in Professor Seligman's statistical department, why didn't he inform himself of it from his friend, Professor John B. Clark?

Again, what does he mean by a "linguistic" explanation of history, and is that based on a "linguistic" relation which is the result of a "linguistic" want? What does he mean by a "religious" explanation of history, besides an "ethical" one, (whatever *that* may mean)? Does he mean a creed or church explanation? And does he really mean that a "scholar" can "thus legitimately" "regard past events" from such a "standpoint?" And does he really think that notwithstanding all this, there is still room for a "scientific" interpretation of history?

There are some other very interesting questions we might ask Professor Seligman, but the strands of human life being so manifold and complex, as Professor Seligman truly observes, and the Marx-critics being so many and so multifarious, we must leave him in peace, particularly as he probably meant no harm. But before leaving him we must ask him what has become of his quest for the cause which "determines the thought of humanity," with which he started out? Has he forgotten all about it? And yet, that was *the* question under consideration!

That was *the* question to be considered, if he was really anxious to find a scientific explanation of history, or, rather, if he wanted to treat history scientifically. But that is just what modern Marx-critics are extremely anxious to avoid. Hence, their plea for all sorts of "standpoints," "factors," etc., etc., which they themselves do not define or explain, but which serve the general purpose of making the scientific treatment of history impossible. In this even such extremes as Seligman and Weisengruen meet. Except that while the superficial and democratic American is "easy" with the

historians, and announces that any tommyrot, written from any "standpoint," is as good science as anything else, the thorough and conservative German makes the task of the historian impossible of accomplishment by claiming that scientific history must contain things which it is impossible for it to contain, and which, if it were possible to put them there, would make it absurd.

Weisengruen objects to the theory of the class-struggle. But not because there is no such struggle. Oh, no! That there is a struggle of the classes into which society is at present divided he can no more deny than Seligman can deny that ~~the economic relations of society are the principal motive-power of History.~~ But just as Seligman finds other "relations" which enable him to write history from all sorts of "standpoints," so does Weisengruen find all sorts of struggles which he claims must be "taken into account" by a scientific historian. These struggles, which, according to Weisengruen, go to make up real history, are not merely social struggles but also struggles between individuals, and are of every nature and description. His demands upon scientific history are, therefore, so many that they cannot all even be recounted here. Here are some of them, as a sample:

The "scientific" historian must embrace, with an "intuitive" gaze, the real essence of the period of which he desires to treat, and must at the same time be able to correctly measure its "psychical range." He must know every occurrence, even the smallest; and must be acquainted with every document, even of the least importance. And in order that the reader may not think lightly of this task, Weisengruen takes care to warn him of the insuperable difficulties which will beset the scientific historian. And those difficulties are indeed insuperable. For it must be remembered that Weisengruen does not refer to social occurrences, or public documents. No, he means *every individual occurrence* of any kind or description, and *every private document* of whatever import. Quarrels between husband and wife, neighborly gossip, love-letters, everything is here in-

cluded. *And everything about everything.* For our author has suddenly grown very democratic, and insists that everybody makes history. Nothing is so mean, nor is any station in life so lowly, as not to influence the course of history. In order that there be no mistake about it, he gives the following express instructions: "*He (the historian) must know all the persons (of the period he describes), their family relations, their actual course of action, as well as the opinions they held of each other. . . . All to the smallest detail.*"

Then he must know everything about everything else in creation: All sorts of relations between all sorts of groups in society, covering all the social relations of the people, the economic structure of society, the politics, ideas, sciences, etc., etc., and everything to the minutest detail. The Marxists also demand knowledge of all these social matters but Weisengruen does not mean it that way at all. No. He is a thoroughgoing scientist, as we have already seen, and therefore the historian's knowledge of social matters which he demands must be on a par with his knowledge of individuals and their relations as already hinted at. For instance, the historian must not only be acquainted with the tools, manner and processes of production in use, and the things produced during the period of which he treats, but he must have an actual inventory of all the "goods, wares and merchandise," as well as of all the household furniture, clothing and other worldly goods, possessed by each and every person who lived during that period, with all of whom, as we already know, the historian must be personally acquainted.

If this is not materialism run mad, what is it?

Of course, Weisengruen knows the absurdity of all this. And this would never have been said if it were not for the terrible plight in which he found himself in attempting to disprove the claim of the Materialistic Conception of History to the sole and exclusive possession of the attribute

*science*, in its own proper field. Weisengruen's madness has method. All this moonshine is put up to us in all seriousness for one purpose only. If all this is impossible, and there is no denying that fact, then scientific treatment of history is impossible until some dim and distant future of which we can take no cognizance. And meanwhile, (and there is the rub), *there is no science*, and anybody and everybody has license to write any rot he pleases from any "standpoint" he pleases. . . .

You see, we are at the same old game again. . . .

Weisengruen and Seligman, Masaryk and Slonimski, and the rest of the tribe, are essentially alike. Whether by way of ponderous philosophic moonshine, or elegant phrasemongering, the flow of objections to the Materialistic Conception of History runs from the same source, and it wends its course towards the same objective point.

## CHAPTER IV.

### VALUE AND SURPLUS VALUE.

#### I.

As was already pointed out, the Marxian theoretical system is one solid structure and cannot be properly understood unless viewed as a whole from foundation-stone to roof-coping. To criticize any of its parts as if it were a complete structure in itself is, therefore, a mistake which must necessarily lead to all sorts of fallacious conclusions; and to accept any one of its parts and reject the others, as many of the latter-day critics do, simply betrays ignorance of the parts which are accepted and rejected alike. The Marxian theoretical system must be examined as a whole, and accepted or rejected in its entirety, at least as far as its structural parts are concerned.

It is rather the fashion among Marx-critics to treat the Marxian "philosophy" and "economics" as if they had absolutely nothing whatever to do with each other, and to accept one and reject the other according to the critic's fancy. As a matter of fact, however, Marx's "philosophy" is nothing more than a generalization deduced from the study of the economic conditions of the human race during its entire course of historical progress, and his "economics" is merely an application of his general historical theory to the particular economic structure known as the capitalist system.

How Marx came to take up the studies which resulted in the formulation by him of the theoretical system which bears his name, and the course which those studies took, is very illuminating in this respect, and his own account of



it, given in the preface to his "Critique of Political Economy," is of more than passing interest, and we shall therefore place it before our readers.

In 1842-43, Marx says, he found himself, as editor of the "Rheinische Zeitung," the leading German radical paper of the time, embarrassed when he had to take part in discussions concerning so-called material interests, such as forest thefts, subdivision of landed property, free trade, and the like, as his previous studies had been only in the domains of philosophy, history, and jurisprudence. At the same time he had to express an opinion on the French schools of socialism of those days, with which he was also unfamiliar. He therefore took advantage of his publishers' desire to pursue a less aggressive course than his, and retired to his "study-room," there to get the needed information.

"The first work undertaken for the solution of the questions that troubled me," he says, "was a critical revision of Hegel's 'Philosophy of Law;' the introduction to that work appeared in the '*Deutsch Französische Jahrbücher*,' published in Paris in 1844. I was led by my studies to the conclusion that legal relations as well as forms of state could neither be understood by themselves, nor explained by the so-called general progress of the human mind, but that they are rooted in the material conditions of life, which are summed up by Hegel after the fashion of the English and French of the eighteenth century under the name 'civic society;' the anatomy of the civic society is to be sought in political economy. The study of the latter which I had taken up in Paris, I continued at Brussels whither I emigrated on account of an order of expulsion issued by Mr. Guizot. The general conclusions at which I arrived and which, once reached, continued to serve as a leading thread in my studies, may be briefly summed up as follows:"

Here follows the famous passage, already quoted by us in the first chapter of this book, giving the whole Marxian sys-

what's chapter on "origins" in "The Economic Structure of Socialism" (1885)

tem in a nut shell, and containing Marx's own formulation of the Materialistic Conception of History.

It is amusing to see the evident surprise of some Marx-critics at the fact that Marx, instead of writing an elaborate treatise on the Materialistic Conception of History, relegated its formulation to a short preface of a purely politico-economic work. As a matter of fact, this is very significant, but not surprising at all. This passage contains an epitome of the whole Marxian system: Historical foundation, economic structure and socialist result. The book itself was to treat the economic structure of the capitalist system exhaustively and in detail. The Socialistic conclusions were not elaborated for the reason that Marx did not believe in any Socialism that did not flow directly from an examination of the capitalist system, and therefore it had to be merely indicated, leaving it to the reader to deduce his Socialism from the examination of the capitalist system contained in the book itself. If that examination did not lead to Socialism such an elaboration would be either useless or unjustifiable or both. The historical point of view, however, from which the capitalist system was to be examined had to be formulated, as without a clear understanding thereof the examination of the laws governing the capitalist system of production and distribution would remain a book sealed with seven seals. Marx, therefore, formulated his historical theory in the preface, and then settled down to the examination of the economic structure of our present society and the laws governing its particular course of evolution.

The opinions of the critics about Marx as an economist are just as many and as divergent as are their opinions of him as a philosopher. Slonimski and other critics think that Marx has done absolutely nothing for the science of economics; not only are his theories false but they have not even any historical importance. From this view to that of enthusiastic eulogy the opinions run all the way. He has, of course, been denied originality. He is accused by some

critics of being a blind follower of the classical English School of political economy, and particularly of Ricardo, and again by others that he understood neither that school in general nor Ricardo in particular. We shall not go into that, for the reasons given before, except to say that while many parts of his economic theory had been worked out before him, particularly by the English Classical school, the system as such, the combination of the parts into a systematic structure, the point of view from which the structure was built, as well as the corner-stone of the structure, the theory of surplus value, are all his own. We also wish to say right here that Marx had to construct an economic theory of his own for the reason that his historical point of view placed him in opposition to the reigning classical school which accepted our economic system as "natural," that is to say: independent of historical development in its origin, and final in its application. This offended Marx's better historical understanding, his philosophy. The classical school considering the capitalist system eternal, analyzed only the relations of its parts to one another, whereas Marx, because of his peculiar point of view, looked not only into the workings of its parts and their relations to each other, but also into the changes effected by the relations of the different parts of the capitalist system in each of those parts and the changes in the whole system flowing therefrom. In other words, Marx examined the dynamics of the capitalist system as a whole, and in the light so gained re-examined its statics, already examined by the classical school. His philosophy which placed him in opposition to the classical English school of political economy, also prevented him from drifting into any so-called psychological theory. The underlying principle of all of these theories, the attempt to explain social phenomena by individual motives, is entirely repugnant to his historico-sociological point of view, requiring as that does, that social phenomena should be explained in such a manner as to account for their origin,

growth, and decline, something which no psychological-individualistic motivation of social phenomena can do. ✓

When Marx came to examine the economic structure of our social system, his problem consisted in finding answers to the following questions: What are the sources of our society's wealth, that is, of the means of subsistence and comfort of the individuals composing it? How and in what manner is it produced: what factors, circumstances and conditions are necessary for its production, preservation and accumulation? How, in what manner, and in accordance with what principles, is it divided among the different groups and individuals composing our society? How does this division affect the relations of the groups and individuals participating in it, and how do these relations, and the social phenomena which they produce, react upon the production and distribution of wealth in this society? What are the resulting laws governing the direction and manner of its general movement? What are the historical limits of this economic organization?

Sources of  
wealth

How produced :

How distributed

A careful examination of our wealth discloses the remarkable fact that, whereas, it consists, like all wealth, of articles ministering to the wants of the individuals of the society wherein it is produced, of whatever nature or character those wants may be, the amount of that wealth, from our social point of view, does not depend on the amount or number of those articles possessed by the individuals separately or society as a whole; that any individual member of our society may be possessed of great wealth without possessing any appreciable quantity of articles that would or could minister either to his own wants or to those of any other member of our society; that, as a rule, a man's wealth under our social system does not consist of articles which minister to his own wants, but to those of other people, if at all; and, furthermore, that a man's wealth may grow or shrink without any addition to or diminution from the articles or substances of which his wealth is composed.

This is an entirely novel phenomenon historically consid-

ered and one showing our wealth to be radically different, and possessed of attributes and qualities entirely unknown, to wealth under former forms. Besides, these novel attributes and qualities of our wealth are apparently in contravention of the "natural" order of things. At no time prior to our capitalistic era was the subjective relation between a man and his wealth — that is the means of his subsistence and comfort — so entirely severed as it is now. At no time prior to this era did a man and his wealth stand in such absolutely objective, non-sympathetic, relations as they stand now. At no time prior to our era was a man's wealth so thoroughly non-individual, so absolutely dependent on social circumstances, so entirely a matter of social force, as it is under capitalism.

What is the distinctive feature, the distinguishing mark or characteristic of the capitalist system of production and distribution of the means of subsistence and comfort which wrought such changes in the attributes and qualities of wealth and how were those changes brought about?

The distinctive feature of capitalist production, that which gives it its character, is that under this system man does not produce *goods* but *commodities*, that is "wares and merchandise." In other words he does not produce things which he wants to use himself, and because he wants to use them to satisfy some want of his, but things which he does not want to use himself but which can be disposed of by him to others, caring nothing whether and in what manner the others will use them. Instead of producing *goods* for his own use, as people used to do in former days, under other systems of production, he produces commodities for the market. Marx, therefore, begins his great investigation of the capitalist mode of production with the following words: "The wealth of those societies in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities,' its unit being a single commodity. Our investigation must therefore begin with the analysis of the commodity." It is the analysis of the com-

modity that must furnish us the key to all the peculiarities of character which we have noticed in our wealth under the capitalist system of production, showing changes which have placed our wealth in a purely objective relation to man and given it purely social attributes and properties.

The distinctive property, again, of a commodity, that quality of the thing which makes an ordinary good an article of merchandise, is its exchange-value. That is to say, the fact that in addition to the quality which it possesses of being useful for consumption to the one who wants to use it that way, it has the further quality of being exchangeable, that is it can be useful for the purpose of exchange by one who has no use for it as an article of consumption. The exchange-value of an article therefore, while based on the property of the article of being ultimately useful for consumption, is something entirely different and apart from this use-value and independent of it in its variations. Indeed, the two qualities might be said to be antagonistic as they exclude each other: a thing is exchange-value only to the person who has no use-value in it, and it loses its exchange-value when its use-value asserts itself. It is its exchange-value that makes a thing a commodity, it remains therefore a commodity only as long as it is intended for exchange and loses that character when appropriated for use in consumption. The use-value of a thing is, on the one hand, something inherent in its nature, in the very mode of its existence, and does not depend on the social form of its production; it remains the same use-value no matter how produced. On the other hand, the use-value of a thing is a purely subjective relation between the thing and the person who uses it, and therefore any difference in the use-value of a thing when used by different persons is purely subjective with those persons. In neither of these aspects does it come within the sphere of political economy, whose object is the explanation of the peculiar phenomena of wealth under the capitalist system of production, phenomena which, as we have seen, are purely social in their nature.

Both, the natural attributes of things and the individual uses to which they are being put, have existed long before the capitalist system of production without giving wealth those properties of the capitalist-produced wealth which we have noted above. These qualities are the qualities of the *good*, and these uses are the uses to which the *good* is being put. They are not the qualities nor the uses of the *commodity*. They do not, therefore, in any way affect the exchange-value of the thing, that attribute which makes out of the simple good the mysterious commodity with all its peculiar faculties and attributes. Except that the good is the substratum, the material substance, of the commodity; and use-value is the substratum, the material substance, of exchange-value. Historically, therefore, the good preceded the commodity, and use-value preceded exchange-value.

Marx says, therefore: "Whatever the social form of wealth may be, use-values always have a substance of their own, independent of that form. One can not tell by the taste of wheat whether it has been raised by a Russian serf, a French peasant, or an English capitalist. Although the subject of social wants, and, therefore, mutually connected in society, use-values do not bear any marks of the relations of social production. Suppose we have a commodity whose use-value is that of a diamond. We can not tell by looking at the diamond that it is a commodity. When it serves as a use-value, æsthetic or mechanical, on the breast of a harlot or in the hand of a glasscutter, it is a diamond and not a commodity. It is the necessary pre-requisite of a commodity to be a use-value, but it is immaterial to the use-value whether it is a commodity or not. Use-value in this indifference to the nature of its economic destination, i. e. use-value as such, lies outside the sphere of investigation of political economy. . . . But it forms the material basis which directly underlies a definite economic relation which we call exchange-value."

Our wealth, then, in those respects in which it is different from the forms of wealth which preceded it, and which

distinguish it as capitalistic wealth, is an aggregation of exchange-values. In other words: our wealth, in so far as it is not merely used for consumption, but retains its capitalistic properties, is *capital*, is an aggregation of exchange-values. We have already seen that exchange-value is not something inherent in the thing itself as an element or condition of its natural existence. We have also seen that it bears no subjective relation to the person who uses it as such, that it does not depend on anything he does or omits to do, but is an objective attribute derived from some social relation of the individuals within the society in which it is produced. We must therefore conclude that capital, which is an aggregation of exchange-values, is nothing more than a social relation of individuals, and that its properties, which it can only possess by virtue of its being such an aggregation of exchange-values, are merely the result of the social relations of which it is the expression.

What are the social relations represented by exchange-value, and its composite — capital? What are the properties of exchange-value and capital and the laws governing their existence, and how are they derived from and governed by those social relations? The answering of these questions is, according to Marx, the object of political economy, and to their critical examination his life-work was devoted.

Before entering, however, upon this examination we must put before ourselves clearly the problem which confronts us, and define clearly the questions which we are called upon to answer. We have already pointed out some characteristics of our wealth which make it different from the wealth possessed under any previous social system and which show clearly that our form of wealth is the product of our peculiar social relations. These characteristics are, however, not the only ones which require explanation. Even a cursory examination of our economic system will reveal the fact that our value-wealth is full of mysteries



which, if considered by themselves, defy all attempts at explanation.

The mystery surrounding the origin of our wealth was already indicated above in showing the peculiar property of our wealth to grow and shrink irrespective of any addition to, or diminution from, the material substances of which it consists. This mystery deepens the further we go into the examination of the production of wealth in our society, and even more so when we come to consider its distribution. Only some of the more characteristic phenomena which puzzle the inquirer into the nature of the wealth of capitalistic nations need be mentioned here in order to show the nature of our problem.

While, as we have already stated, the amount of our wealth may grow or diminish irrespective of the growth or diminution of the articles of which it consists, thus showing clearly that our value-wealth is something extrinsic and independent of the nature and uses of those articles, yet there is something in the very independence of value-wealth from its material substance which shows a close connection between them. It is true that this connection is rather in the nature of a hostility, partaking of the antagonism already pointed out between use-value and exchange-value, but the connection is nevertheless clearly defined and resembles in its character the connection of polarity, to borrow an example from another field of scientific research. It has, namely, been observed that there is a constantly growing difference between the accumulation of use-value and exchange-value, a constantly growing difference between the amounts of our value-wealth and the material substances of which it consists. That is to say, it has been observed that with the increase of the production of goods commodities diminish in value, so that the larger the increase in our "natural" wealth, that is in useful articles which go to make up the stores of our social or value-wealth, the smaller the increase of the latter. In other words the growth of our value-wealth constantly and systematically falls behind the growth

of the material substances of which it consists. This shows clearly that while the value of a thing does not depend on its natural qualities or the uses to which it may be put, so that exchange-value is entirely independent of use-value, there is a certain well-defined relation existing in their production, at least. What is that relation?

While this question of our wealth-production is merely mysterious, the questions of its distribution are puzzling and perplexing in the extreme. A cursory survey of our social system will show that there are very many persons in our society who evidently do not produce any wealth and yet have it in abundance. In fact, most of our wealth is found in the possession of persons who have not produced it. Where did they get it? The answer which suggests itself to this query is, that they got it from the persons who did produce it. But then the question arises: *How* did they get it? They did not take it by force, nor was it given to them for love. How *did* they get it?

Ever since man has kept written records of his doings there have been social classes composed of people who have neither toiled nor labored and still managed to live on the fat of the land. But the actions of these people have always been plain and above board. Everybody could see just how they managed it. There was never any mystery as to where their fat came from, nor how they got hold of it. The division of the wealth between those who produced it and those who didn't was done in the light of day and by a very simple process, so that each article produced could be traced into the hands of its ultimate possessor and each article possessed could be traced back to its original source. A child could tell the sources of wealth of an ancient slaveholder or medieval feudal baron. Not so with our non-producing classes. The sources of the wealth of our merchant-princes are shrouded in mystery. An honest merchant is supposed to, and usually does, pay for his wares what they are worth and sells them again for what they are worth. Wherefrom, then, does he get his profit? Two

men make a bargain and exchange equal values, for they are honest and would not cheat each other, and yet both make a profit! Where does their profit come from? Some foolish people think that merchants make their profits by buying in the cheapest market and selling in the dearest. In other words, by cheating or taking advantage of each other. This is evidently a mistake. A merchant may, of course, make an extra profit by taking advantage of his neighbor. In that event his neighbor loses as much as he has made. But the regular profits of the merchant are realized when he buys and sells goods at their fair prices. That is why all hands are making money. Otherwise the capitalists would be preying on each other and one would gain just as much as the other would lose. Wealth would merely circulate among the different members of the class but there would be no net gain. What would the merchant *class* live on? They could no more live on each other's losses than they could by taking in each other's washing. But the capitalist class *does* manage to live and thrive and even accumulate and amass large stores of wealth. Where, then, does the *capitalist class* get it?

Other explanations offered are that the merchant by buying and selling enhances the value of the article sold and that the enhanced value is the merchant's profit; or that the merchant's profit is a reward for services as middle-man between producer and consumer. This last proposition is beside the point for the reason that it is not a question of ethics with which we are concerned, as to whether the merchant deserves what he gets, but a pure question of mechanics: how, and wherefrom, he gets it. Nor does the explanation that the merchant "enhances" the value of an article, that is creates new value, by selling it, answer the question: Where and how did he get it? How is the value of a thing "enhanced" by a mere change of hands? Its natural qualities remain the same. The uses to which it can be put remain the same. Where was this value before the merchant got it? Who produced it, and why did its producer

part with it? If a mere change of hands creates value, why do some people foolishly toil in the sweat of their brows to produce new articles in order to get values, when value can be got by the much easier process of sending the articles already on hand around the circuit? This brings us back to the question: What is exchange-value, and how is it produced or got?

We will see later in the course of the discussion how Marx's theory of value and surplus-value answers all these questions and unravels all these mysteries, and that it is the only theory that answers the problem of political economy satisfactorily, thus making political economy a real science. We will also see the place of our economic system in the string of economies which go to make up the history of the human race until now, and what its further development must or is likely to lead to. We will see, incidentally, how entirely puerile is the talk of Bernstein and his followers who, not understanding the essence of the Marxian theory of value, and overawed therefore by the volume of criticism levelled against it by the very learned economists, attempt to hide behind the contention that this theory is not an essential element of Marx's socialist system. We will see, lastly, how utterly absurd is most of the criticism of these learned critics from Boehm-Bawerk down or up. // +

## II.

True to his method of "no philosophy," Marx set about his task of finding the true laws of exchange-value in the most "unphilosophic," matter-of-fact way. He argued that, while the laws of value furnish the key to the understanding of our economic system, those laws themselves can only be derived from the observation of the actual every-day facts of our production and distribution. In order, however, that these facts may be properly understood and appreciated they must be examined in their historical connection and in their proper historical setting. ✓

The production and distribution of the capitalist system can be best studied by an examination of a typical capitalistic commodity: a Factory Product. While the capitalist system has impressed itself upon every phase of life of every society in which it prevails, so that nothing can escape it, whether properly belonging within its domain or not, its characteristic features, its vital elements, are contained in their purity and simplicity only in its historic embodiment, — the factory product. The factory product is not only the historic form of capitalist production, accompanying its appearance on the historical arena as its technical embodiment, but it represents the vast majority of all the commodities of capitalist society. The factory product bears the imprint of capitalism so deeply emblazoned upon it, and is so free from entangling alliances with any forms of production other than capitalistic, that there can be absolutely no mistaking its origin and virtues. Not so with other products. Take, for instance, a farm product. You can not, by the mere fact of its production as a farm product tell whether it was produced under the capitalistic regime or not. This is due to the fact that our form of ownership and cultivation of land have to a great extent remained far behind the general progress of our economy. We cannot, therefore, by examining a farm product tell the characteristics of capitalist production, for we cannot tell which of the properties of the farm product are the result of capitalism and which are the survival of some prior mode of production. After we shall have learned to know the characteristics of capitalist production, we shall see that these characteristics are to be found also in the capitalistically produced farm product. The examination of the farm product may, therefore, serve to find the limits of the laws of capitalistic production, but not these laws themselves. For that purpose we must study the factory product.

It is well to remember in this connection that historically the capitalist system has built its foundation on the ruins of farming, and that their progress is usually in the inverse ra-

tio to each other. It is one of the contradictions of capitalist society, that while it needs farm products in order to sustain itself, farming does not fit into its scheme. In such typically capitalistic countries as England, for instance, this contradiction was solved by practically eliminating farming, and drawing its food supply from abroad. But as this is an obviously impossible solution for the whole capitalistic world, attempts have been made to capitalize farming. So far, this has met with only indifferent success. That is why the "agrarian question" is now uppermost in all economic discussions. From all this it is perfectly plain that if we want to understand the capitalistic system we must study the factory product.

The most characteristic feature of the factory product as a natural phenomenon, that which marks its contrast to the farm product, is its comparative independence of climatic and other natural phenomena—an independence which makes it practically reproducible at will. Unlike the farm product, which depends for its successful production on the varying conditions of soil and climate (conditions usually not subject to change at the hands of man) and is therefore limited in its production by a force to which all men must bow, the factory product knows no other superior but man who reproduces it at will. The limits of the production of the factory product are not given by nature, but imposed by man; production of the factory product increases or slackens in accordance with the demands of the "market;" that is to say, its limits are set by the relations of the members of society in the distribution of the manufactured product among themselves. In this it typifies the capitalist system. *With the advent of the capitalist system poverty and riches have ceased to be a natural condition; they have become a social relation.*

Let us, then, take the factory product and follow its natural course in life; let us examine the manner of its production, the course it takes in the circulation of goods to the point of its ultimate destination,—consumption; let

us see who are the persons participating in its production, instrumental in its circulation and sharing in its distribution.

In thus writing the biography of any factory product we will find that its life history will read as follows:

It was produced in a large factory building owned or hired by the manufacturer. It was made by a large number of workmen hired by the same manufacturer, who paid them for their labor, out of materials provided for by the manufacturer, and by means of machinery owned by him. After our factory product was ready for use it was shipped to a wholesale dealer, who bought it from the manufacturer, and who, in turn, sold it to a retail dealer. From the retail dealer it went to the consumer, who purchased it from him. This is the usual course. There are, however, variations of this course. The wholesale dealer may, for instance, have been omitted, if the manufacturer sells direct to the retailer; or, there may have been a good deal more of buying and selling done in it before it finally reached the consumer. One thing is sure, however, its life-course led through these three stages: manufacture, trade, consumption.

The persons whom it met in this, its life-course, who affected its existence and its different changes, and who participated in its distribution in one way or another, besides those who participated in the production and distribution of the raw material from which it was made, which may itself have been a factory product, are: The laborer who produced it and was paid for it; the manufacturer who caused it to be produced, paid the cost of its production and received the purchase price from the trader who bought it from him; the merchant who bought it at one price and re-sold it at another, pocketing the difference; and, finally, the consumer, who paid for it and kept it for consumption, either personal, non-productive, or impersonal, productive consumption in the manufacture of some other factory product. There may have been others: the manufacturer may have paid rent for his premises to the landlord or interest

for his capital to the banker; the trader may have paid rent, interest, or for help; there may have been a lot of time and labor spent in transporting it from place to place until it finally reached its place of ultimate destination, the consumer — and all of this had to be paid for.

All these persons who participated in the production or circulation of our factory product, and all those with whom they must "divvy up," must share in our factory product, that is to say, in the price which the ultimate consumer paid for it. Let us see how it is done.

We must, of course, as already pointed out above, assume that each gets what is due him, under our present system, as they are all presumed to be honest, the cases of one getting advantage of the other are exceptional, and they are all free agents working without compulsion. The workingman is "free" to work or not to work, so is the manufacturer and merchant to hire, buy and sell. The capitalist system needs for its proper development, and we therefore assume, absolute freedom, personal and commercial. How, then, is the share of each determined, when is it produced and when paid over?

It must always be remembered that none of those interested in the production, circulation and distribution of the factory product, have any interest whatever in its existence, or desire for its possession. None of them gets any share of it physically. Their distributive share comes out of the purchase price paid for it by its ultimate consumer, who takes it out of the "market," converts it from a commodity into an ordinary good possessing only its natural qualities of a use-value. In other words, each of their distributive shares comes of the exchange-value of the commodity which is turned into the universal medium of exchange — money — by its sale to the ultimate consumer.

This exchange-value first manifests itself when the manufacturer has the commodity ready for sale and places it on the market for which it was produced. The manufacturer produced it not for its use-value,— he never had any per-



sonal use for it and never intended to use it,—but for its exchange-value, and as soon as it is ready in exchangeable form he offers it for sale or exchange. He sells it, again, to somebody who has absolutely no personal use for it and does not intend to use it himself, but buys it just as the manufacturer manufactured it, because of the exchange-value there is in it, and which, by the way, for some reason or other, he expects to be more than what he pays for it.

On this first manifestation of the exchange-value of the factory-produced commodity the manufacturer gets in exchange for it a certain sum of money or other commodities, the price obtained on its sale or exchange. The exchange value of the commodity has realized itself in his hands in the form of its price.

We must not, however, confound price with value. Value is something which the commodity possesses when placed upon the market and before any price is paid for it, and it is because of this value that the price is paid for it. The value is the cause of the price. Furthermore, value and price do not always coincide in amount. The price of an article may be greater or less than its value, according to circumstances. The proof of this is the fact that things may be bought "cheap" or "dear," that is to say, for a price above or below their value. If the price of a thing and its value were the same, nothing could be bought either cheap or dear, because the price paid would be its value. The fact that we speak of things as being bought or sold "cheap" or "dear" proves that our valuation of the thing is something outside of the price, and therefore something with which the price may be compared and proved either too high or too low. It is, therefore, manifest that value and price are not only not identical in their nature, but that they do not always even coincide in amount. And this, notwithstanding the fact that value is the cause of price. The reason for it is easily discovered. Value is a social relation and is therefore determined by social conditions, whereas price is an individual valuation and is therefore

determined by individual motivation. Value being the cause of price, the chief motive of the individual making the price, will, of course, be the value of the thing priced. This does not mean, however, the actual value of the thing, but his opinion of its value. Whether this opinion will be a correct estimate of the actual value of the thing depends, of course, on a number of individual circumstances and conditions. Besides this chief motive, again, there may be a number of subsidiary motives, all being either directly individual in their character, or individual estimates of social conditions or relations. All this produces what is called the "haggling of the market." As a result of this haggling comes the price *actually* paid for the article, and the average of the prices paid makes the market price.

This price is purely accidental within certain limits, being the result of individual volitions based on individual estimation. It is so within certain limits only, for it is controlled by its primary cause — value — which sets the standard by which it is measured and to which it naturally tends to conform, and will conform the more the nearer to the truth are the individual estimates of the social relations and conditions, and the freer the individual motivations are from purely personal considerations. Value is the norm about which the "haggling" of the market takes place, and the price which results from this "haggling" naturally gravitates towards its norm-value. Price will be "cheap" or "dear" according to whether it is, in the estimation of the person making the valuation, below or above the actual value of the thing.

What is this social element, this social relation, which gives a commodity its value? A careful search will reveal only one element common to all commodities, which is social in its character and is capable of giving commodities the value which will express the social relations of production, and that is — Human Labor. The production of the typically capitalist commodity, the factory product, is wholly a question of the application of human labor, physical

† or mental, and its results merely a question of the quantity and quality of the human labor expended. It is this labor which gives the product its value. It is by the expenditure of this labor that its value is measured. It is as the embodiment of a certain quantity-quality of human labor that the finished product is placed upon the market for sale, and it is as such that it is exchanged for another commodity, or the universal commodity—money. In making a sale or exchange the parties knowingly or unknowingly estimate the respective quantities of labor contained in the articles exchanged or in the articles sold and the price given, and if one finds them to be equal or to preponderate in his own favor he makes the bargain. The question of quality is also regarded as a question of quantity, labor of a higher nature being reduced to its simple form of ordinary average labor of which it represents a larger quantity.

It must be borne in mind, however, that, value being a social phenomenon based on social conditions and relations, it is not the labor which happens to be accidentally contained in any given commodity, as the result of some individual conditions or circumstances under which its producer worked, that gives the commodity its value, but the *socially necessary* labor therein contained. In other words, ✓ the value of a commodity is not derived from the particular labor actually put into its production, nor from the amount of labor actually expended upon its production, but from the amount of average human labor which it is necessary for society to expend for its production. The mere expenditure of labor on the production of any article does not make that article a commodity having exchange value. It is social expenditure of the labor, that is, its expenditure for the purposes of social production, of the production for society of things which are useful for it, that makes the article produced a commodity having exchange-value. The expenditure, therefore, in order to create value must be necessary in accordance with the social relations and conditions existing at the time the valuation is made. This in-

cludes a variety of considerations, only the most important of which can be noted here.

To begin with, "socially necessary" labor must not be confused with "average" labor. The average labor only comes into play when the productive power of individual producers working with the same tools is under consideration. Otherwise, "socially necessary" and "average" may, and very often do, represent different things. For instance, the labor expended on the production of an article, in order to create new value, must, in addition to having been productive according to the average expenditure for the production of such articles, have created something which was necessary for society. In determining whether an article is "necessary" for society or not, it is not merely the general usefulness of the article and its actual necessity for some of the members of society that is to be considered, but also whether, in the state of the society's economy, the need for such articles has not already been provided for sufficiently when compared with other needs, and having due regard to the general conditions of production and distribution in society. If too much of a certain commodity is produced, too much not absolutely, but according to existing social conditions and relations, such production does not create any additional value. It is so much labor wasted. Of course, that does not mean that any particular labor thus expended will create no value, or that any particular article thus produced will have no value. But, value being a social relation, all the labor expended in the production of this class of articles in society will produce less value proportionately, each article will have so much less value, so that the aggregate of such articles produced will have no more value than if that labor were not expended and the additional article were not produced.

Again,—the tools of production in a certain industry may be undergoing a change by which the amount of labor necessary to be expended in the production of a certain

article is reduced. During the period of transition the "average" amount of labor expended in the production of the article will be considerably above the amount necessary for its production by means of the new tools and considerably below that of the old, for the average is made up of the articles produced by means of both the old and the new tools in so far as they are being used. [The value of the commodities produced, however, will not be measured by the average expenditure of labor, but either by that of the old or that of the new method.] If the new method has not yet been sufficiently perfected, so that it can not as yet supply the needs of society, or is the subject of a monopoly, then the valuation will be in accordance with the old method; if it has been so perfected, and is free for use, then in accordance with the new method. If, between the time of the production of an article and its valuation in the market, the new tools have attained the required degree of efficiency, or the monopoly has been broken, the value of this article, whether produced by the old or the new method, will change from the valuation in accordance with the old method, which was socially necessary at the time of production, to that in accordance with the new method, which is that now socially necessary.

In other words, the value of a commodity is determined by the amount of labor which society will necessarily have to expend for its production when it requires it; that is to say, by the amount of labor socially necessary for its *reproduction*.

### III.

We have seen before that the value of a commodity is determined by the amount of labor which society will necessarily have to expend for its reproduction. This applies to all commodities, including that peculiar commodity upon which the whole capitalist system rests — labor power. All the mystery surrounding the production and distribution of the capitalist system, which we have noted above,

is due to the presence of this peculiar commodity which was absolutely unknown to any former system of society. In no social system before the advent of capitalism was human labor power an independent commodity which could be trafficked in in the market. A man's labor-power was deemed such an intimately personal attribute that it could not be considered apart from the man himself. The man himself might be free or unfree. If he was free his labor power was his own, used by himself for himself. If he was unfree, he, including his labor-power and his other personal attributes, belonged to his master. But in either case his labor power was inseparable from his body, was part and parcel of his personality as much as his personal appearance, and went with it.

It was only with the advent of capitalism that a man's labor power became separated from his body and person, when his labor power was "abstracted" from his personality and gained an independent existence. Then human labor power "as such," human labor power in the abstract, human labor power unidentified by an individual characteristic and severed from any *personal* relation, became an independent commodity to be trafficked in in the open market. It is the appearance of this commodity historically that made capitalism possible, and it is due to its peculiar nature that so much mystery surrounds the workings of that system, upon which it has indelibly stamped its own characteristics.

The new commodity of *abstract* human labor, bought and sold in the open market, independent and irrespective of any individual or personal relation, is, at the same time, part and parcel of the commodities which constitute the stock-on-hand of the capitalist world as well as the source of all the other commodities on hand. It is also its own source and creator, being the means of its own reproduction. As the general source and creator of capitalistic commodities, this abstract human labor is the source, and therefore, the measure of the exchange value of those commodities. As its own source and reproducer it is its own source and

measure of value. That is to say, the measure of the value of the capitalist commodity "general human labor power" is the amount of this labor power necessary for its reproduction under the social conditions of production existing at the time when it is dealt in on the market. This dual position of the commodity general human labor power is what has mystified and baffled the investigators into the laws of production and distribution of wealth in capitalist society. When this dual position is properly understood the mystery vanishes, and the anatomy and physiology, as well as the psychology of capitalist society are revealed to the mind's eye, so that their construction and *modus operandi* can be studied in detail.

We have seen already that the value of a commodity is determined by the amount of labor which will necessarily have to be expended in its reproduction. This amount of labor will have to be bought in the open market by the producer in the shape of labor power, potential labor, and he will have to pay for it, barring accidents, *its* value. That is to say, he will have to pay the value of the labor necessary to produce this labor power, or, in other words, he will have to pay, in the form of wages, the amount of goods which the laborer consumes while exerting his labor power. This amount will vary, of course, with the productivity of labor in general, and with the standard of living of the workmen. But it will invariably be less than the amount of goods produced by the laborer in this exertion of his labor power. This is a prerequisite not only of capitalist production, but of any social form of production wherein a part only of the members of society are actively engaged in the work of production. In other words, in our capitalist system, when a man sells his labor power to another man for a certain number of hours every day in consideration of a certain wage, the amount of labor necessary in order to produce the product represented by his wage is always smaller than the total amount of labor which he sold to his employer. As general human labor can only be

measured by the time during which the labor power was exerted, it is the same thing as saying that the time required to produce a man's wages is always shorter than the time for which he was hired by the payment of these wages.

The amount of labor spent in reproducing the product which goes to the laborer as his wages may be called "necessary labor," for the reason that it is absolutely necessary in order to make further production or even existence itself on the same plane possible. The amount of labor, on the other hand, which the laborer puts in above the "necessary labor" we may call "surplus labor," for the reason that it is an overplus or addition to the amount of "necessary labor" which the laborer has already put in. The product which is produced in the "necessary labor" time, may for the same reasons be called "necessary" product, and its value—"necessary" value; and the product produced in the "surplus labor" time, and its value—"surplus" product and value. In using the words "necessary" and "surplus" in characterizing the different parts of labor, product, or value, we do not intend to convey any meaning of praise or justification in the case of the one, nor of condemnation or derogation in the case of the other. We use them in their purely technical sense, with absolutely no "ethical" or "appreciative" significance.

This *surplus value* being constantly produced by the commodity labor power which the capitalists engaged in production constantly employ in their business, is the secret and mysterious source of all the wealth and revenue which fall to the share of those classes of capitalist society, which, without producing themselves, and without either by force or cunning appropriating to themselves what others produced, are still found in possession of quite a considerable share of the worldly goods of our society. Because of the peculiar faculty of the commodity labor power to produce a surplus-product representing surplus-value, the *capitalist class* is enabled to obtain a part of the annual product of society without *taking* it from the producers.



When, at the end of a day, week, month, or year, the manufacturer is in possession of the finished product, that product contains the "necessary" as well as the "surplus" value. In the "necessary" value is included not only the wages paid to the workingmen but also the "capital" that went into the product, or rather, that part of capital which Marx calls "constant," that is to say, raw material, machinery charges, etc. Of course, all these things at one time, when they were produced, represented "necessary" as well as "surplus" value; when they are used, however, in production, that part of the product which simply reproduces their value is "necessary" for the same reason that the part representing the wages is "necessary." The "surplus" which he finds himself thus possessed of is therefore a clear *surplus* over and above all his expenditures and investment. It is pure *revenue* or *profit*. The amount of the surplus-value produced, and therefore of the revenue or profit derived by the manufacturer, depends, aside from the mere length of the working day, as already stated, on the state of the productivity of labor in general and the mode of living of the workingmen; that is to say, on the proportion of the "necessary" to the "surplus" in the labor performed by the laborer during the period of his employment. The length of the work day given, the productivity of labor and the mode of living of the workingmen affect this proportion in opposite directions: a higher mode of living increases the "necessary" part of the labor, and higher productivity its "surplus" part.

After the surplus value is produced by the laborer in the surplus time that he works, the fund from which the capitalist *class* as a class derives its revenue and "saves" its wealth is ready for its use, and it becomes merely a question of its distribution among the different members of the class. This distribution is no simple matter, as it is done for the most part without the participants meeting each other, often without their knowledge, and always without their consent. This distribution is accomplished by the laws

governing capitalist production, and automatically. In so far, of course, as such distribution is according to rule, normal. There is always, however, the possibility of one capitalist getting the better of the other, and the individual capitalist invariably attempts to do so. Whether or not these attempts are successful makes, however, no difference in this connection, as was already shown at length above. It is the *rule* of capitalist society that we are concerned with. The problem that confronts us, therefore, is: how does part of the surplus value which, after its production by the workingmen, is in the possession of the manufacturer, find its way into the hands of the other members of the capitalist class?

As was already indicated above, all value, and therefore also surplus value, is not realized until the product which is the embodiment of the value reaches its ultimate destination, the consumer, who takes it out of the market, disregards its exchange-value and enjoys its use-value. Before it has reached this, its ultimate destination, a commodity, while possessing exchange value possesses it only potentially. Exchange value, not being something intrinsically inherent in the commodity, but expressing merely a social relation of production and distribution, may at any time before its final realization, when it ceases to be exchange value, be adversely affected by some social change. We have already seen that the exchange value of a thing is the amount of labor necessary for the reproduction, at the time when it is needed, that is to say, when it reaches the consumer. Before it has reached the consumer its exchange value is always liable to change. There is therefore really no telling what the surplus value contained in a commodity is until it has reached the consumer. It cannot reach the consumer, however, before it has gone through the process of circulation in which it is being bought and sold, that is, exchanged. In all these transactions its exchange value, as the same expresses itself in the price which it fetches,

is estimated upon the basis of its exchange value when it finally reaches its economic goal.

In this process of circulation the surplus value contained in the product, as far as the persons interested in its division are concerned, is realized by piecemeal. Each party concerned in the production and circulation of the commodity until it fulfills its social mission gets his share of the surplus value therein contained when it leaves his hands, on a sale by him, and the purchase price which he receives represents the "necessary" part of the value of the commodity together with the share of the surplus value thereof to which he and those who preceded him in the process are entitled. In this way the surplus product contained in a commodity when it is produced is gradually converted into surplus value as it "circulates" along, and the surplus value is taken up gradually as it is being realized, share by share, along its course. The division of the surplus value takes place in the circulation process, and expresses itself in the different prices at which the commodity is sold at the different stages of this process.

These different prices at which a commodity is sold at different stages of the circulation process seemed to us inexplicable before, and vexed us not a little. But they will be readily understood when we know that the sharing up of the surplus value takes place in this process. As each stage of the process is passed a share of the surplus value is realized and is added to the price. When the exchange value of a commodity is first realized, when the manufacturer sells it, it is only that part of its exchange value that is realized and is expressed in the price which the manufacturer obtains for it, which represents the "necessary" value of the commodity and that part of its surplus value which the manufacturer receives as his profit. The merchant pays his price to the manufacturer and enters into the transaction because the full surplus value contained in the commodity has not yet been realized and he expects to realize a further share thereof for his own benefit upon a

re-sale of the commodity to the retailer or consumer. This does actually happen in the usual course of business. This operation is repeated until the commodity passes the necessary stages of its circulation and reaches its social destination—the consumer—when the full surplus value contained in the commodity is realized in the purchase price paid by the consumer. This price represents the full value of the commodity, “necessary” as well as “surplus.”

The rules in accordance with which the different “interests” share in the surplus-value, and in accordance with which the different prices are paid for the commodity at the successive stages of the circulation process are themselves the result of the peculiar commodity of the capitalist system, stamped upon it by the peculiar commodity which lies at its foundation—labor power. The profit-sharing of the capitalist class is therefore absolutely impersonal. It also requires absolute freedom of movement for the different elements which go into the process of production and distribution. Wherever there is no absolute freedom of movement the laws governing the division of the surplus-value among the different capitalists are interfered with arbitrarily and may even be abrogated. This is a necessary corollary to the observation already made that all the laws of value and consequently the production and realization of the surplus-value require absolute freedom of movement.

The presence in the market of the laborer offering for sale his labor power presupposes the presence in the same market of the capitalist seeking employment for his capital. Labor power as a commodity presupposes that the laborer who has this power for sale is not in possession of the tools of production necessary in order to exercise this power in the process of production. It presupposes a high state of technical development of production; such a state of development that the productivity of labor is considerably above that stage where it can merely reproduce itself; it must yield a surplus-value, and a portion of the surplus value must have been “saved” for the purpose of being

used as a means of future production. It also presupposes that the "saved" portions of the surplus-value produced in the past are not in the hands of the laborers who offer for sale their labor-power. The possessors of these "saved" portions of past surplus-values, the capitalists, use these "savings," *capital*, in the production of further surplus-value, by the aid of the labor power which they purchase for part of it, in order to take it all to themselves. It is not, however, the capitalist personally who acquires the surplus-value. Capital, congealed and concentrated surplus-profit, produced by labor power, is just as impersonal, just as abstract, as its parent, labor power. It is capital *as such*, irrespective of the capitalist who owns it, that gobbles up all the surplus-value. The capitalist personally may sometimes by his ingenuity cause his capital to produce some extra surplus-value which other, less ingenious, capitalists could not do. In that event it goes to him personally as an extra profit. The ordinary, regular profits, however, of capitalist production and trade go to the credit of the capital employed, not the capitalist personally.

In order to produce a certain commodity and realize its value, that is bring it to the ultimate consumer and obtain from him its price, a certain amount of capital must necessarily be employed for a certain length of time. The amount of capital necessary to be employed therein at the different stages of the processes of production and circulation, and the length of time for which it will have to be employed at each stage will vary, of course, with the state of development of the means of production and exchange, including the means of transportation and communication and other facilities for the circulation of commodities. But under given conditions of production and circulation the amounts of, and lengths of time for which, capital is necessarily employed in order to produce a commodity and bring it to the consumer remain the same.

We have already seen before that while all the surplus-value contained in a commodity is produced in the process

of the commodity's production while it is in the possession of the manufacturer, this surplus-value is divided among all the capitalists who are concerned in the production and circulation of the commodity, while the same remains in the circulation process. Strictly speaking, however, as has been already observed, the surplus-value is not divided among the different capitalists concerned in the production and circulation of the commodity, but among the different capitals employed in these two processes through which the life-course of each commodity runs. The distributive share of each of these capitals in the surplus-value is proportionate to its own size and the length of time it was necessarily employed in either the production or the circulation of the commodity. That is to say, the total amount of capital, measured by a given unit, say a dollar, employed during all the time, measured by a given unit, say a day, that the commodity was necessarily in the process of production and circulation, is footed up, and the amount of surplus-value contained in the commodity is divided by that total, giving a certain amount of surplus-value per unit of capital per unit of time, which we will call the rate of profit. The distributive share of each capital is, then, the product of its own size × the time it was employed × the rate of profit.

When the manufacturer sells the commodity, at its first appearance as a commodity and the first realization of its value, the price which he receives and in which the value is realized, is not its final price expressing its actual value when it is ready to perform its full social function in the hands of the consumer. It is merely an intermediate price; Marx calls it "Price of Production." This intermediary price is based on the ultimate price of the commodity to be received from the consumer in accordance with its value. It is by this expected ultimate price representing its full value that the amount of surplus-value contained in it is ascertained. When the surplus-value of the commodity is given, the Price of Production is determined by the "necessary" value contained in it plus the distributive share of

the manufacturer's capital in the surplus-value. The "necessary" value contained in the commodity represents the cost of its production to the manufacturer. That does not mean, however, that the manufacturer simply gets a return of what he has expended in the production of the commodity. It is not the *actual* expense of production that is represented in its "necessary" value, but the *socially necessary expense of producing the commodity* at the time the manufacturer sells it. If the actual cost of production is above that the manufacturer loses the difference; if it is below he pockets the difference as an extra profit.

The prices paid at any succeeding stage of the circulating process are fixed in the same way. Each succeeding seller gets in the price which he receives the necessary value of the commodity plus the distributive share of the surplus-value to which he and his predecessors in the process are entitled in accordance with the rules formulated above. Each of them gets his own distributive share of the surplus-value in addition to what he has paid or laid out. Provided, of course, he bought and sold at its fair price. Otherwise, one of them may get more than his due share and another less. But all of the capitalists concerned, together, get all the surplus-value produced in the process of production, and no more. Unless, indeed, the workingmen did not get their fair pay or the consumer was compelled to pay an unfair price, in which event the capitalists immediately concerned reaped an extra profit. Or the workingmen were paid too much or the consumer paid too little, in which event the capitalists immediately concerned suffered a loss.

It was assumed all through this discussion that each capitalist worked with his own capital. If any one of them did not, he had to give up all or part of his share of the surplus-value, which he received in the form of profit, to the person from whom he borrowed his capital, in the shape of interest. This does not change the matter, however, and we are not concerned with it here. We also left out of the discussion the question of rent, and the question of ad-

ditional work which may have to be performed on the commodity in the circulation process, as these questions in no wise affect the subject-matter of our investigation—the laws governing the production of wealth in the capitalist system and the manner of its distribution among the different classes of capitalist society.



## CHAPTER V.

### THE LABOR THEORY OF VALUE AND ITS CRITICS.

#### I.

In our introductory chapter, in speaking of the criticism and the critics of the Materialistic Conception of History, we have observed that the discussion of the subject was very much obscured by certain prejudices existing against that theory, which prevent any unbiased examination of the subject on its merits. This must be repeated and even emphasized with reference to the criticism of Marx's theory of value and surplus-value. It is safe to say that at least one-half of the adverse criticism of this theory contained in the literature of the subject is due to prejudice which obscures the vision of the critics and puts their thinking apparatus out of joint. This prejudice is not confined to any particular category of critics. It affects the dignified scholar and the fighting publicist alike. The great Böhm-Bawerk, head and front of the "scientific" Austrian school of political economy, and the prating "popular" Professor Masaryk are both fair specimens of it. In his great work on capital and interest,<sup>1</sup> where more than one hundred pages are devoted to the criticism of this theory, Böhm-Bawerk starts out his examination of the theory by characterizing it as the "theory of exploitation," and the whole trend of his argument is directed towards one objective point:—to prove that the supposedly main thesis of this theory, that the income of the capitalists is the result of exploitation, is untrue; that in reality the workingman is

<sup>1</sup> Eugen von Böhm-Bawerk, *Capital und Capitalzins*. Innsbruck, 1900. Karl Marx and the close of his system. T. Fisher Unwin.

getting all that is due to him under the present system. And the whole of his argument is colored by his conception of the discussion as a controversy relative to the ethical merits or demerits of the capitalist system. The same is true of Masaryk. In his bulky book on Marxism his examination of the problem of value and surplus-value starts out with the following introductory remarks:

“Sociologically the conception of surplus-value stands foremost. Surplus-value is the economic expression of the social conception of the classes and their mutual relations,—of their struggle. The expression Surplus-value is intended to characterize and *condemn* the whole capitalistic order and civilization. It is obvious: *Das Kapital* is not a positive theory of economy, but, as is indicated by the subtitle, a critique of the science of economics to the present time. *Das Kapital* presents the theory of capitalistic exploitation. It is a text-book of capitalistic extortion, and at the same time its vehement denunciation. *Das Kapital* is therefore at the same time the theory of the Socialist revolution,—yes, it is the revolution itself.

“As already stated, we will concentrate our criticism on the conception of value and surplus-value. We will investigate whether or not labor, the labor of the proletarians, is the only source of economic value and surplus-value. Such an investigation squarely presents the question whether or not the social order of civilization really means the exploitation of the proletariat by the capitalist class—the criticism of Capital will resolve itself into a further investigation of the doctrine of the Class Struggle.”

We therefore advisedly stated in the last chapter that in employing the adjectives “necessary” and “surplus” in connection with labor or value, it is not intended to convey any meaning of praise or justification in the case of the one, nor of condemnation or derogation in the case of the other. As a matter of fact, Marx repeatedly stated that the capitalist was paying to the workingman all that was due him when he paid him the fair market value of his labor

power. In describing the process of capitalist production Marx used the words, "necessary" and "surplus" in characterizing the amounts of labor which are necessarily employed in reproducing what society already possesses and that employed in producing new commodities or values. He intended to merely state the facts as he saw them, and not to hold a brief for anybody. If his theory of value and surplus value and his condemnation of the capitalist system stood in any causal relation (and the determination of this question we will leave for the future), his theory of value and surplus value was probably the cause, and his condemnation of the capitalist system the effect, rather than the reverse. The statements of many of his critics, that Marx was influenced in his examination of the question of value and surplus value by a pre-determined thesis in favor of which he intended to hold a brief, is absolutely false, and the writings of these very critics contain abundant proof of our assertion. At some future time we will discuss the so-called ethical theory of the Socialist movement which is so much in vogue among many of the latter-day Marx critics, and it will then appear beyond the possibility of a doubt that it was only his intense craving for the absolute and unalloyed truth that guided Marx in his examination of the subject which led him to the formulation of his theory of value and surplus value.

We saw in preceding chapters what the problem which confronted Marx at the outset of his examination, and which required solution at his hands was,—Is his solution of that problem as contained in his theory of value and surplus value a true one? That is, or at least should be, the only question before us. Is Marx's theory of value and surplus value, viewed without any bias or prejudice, correct? It is very much to be regretted that we cannot, for the lack of space, preface our examination of the Marxist theory of value and surplus value with an examination of the other theories of this subject. Such an examination and a juxtaposition of the different theories would be an

invaluable aid in arriving at a true answer to the question before us, and it is the hope of the present writer that he will at some future day be able to do this work, so that the relative position of the Marxian theory may be fully appreciated. In this present discussion, however, we will have to be guided by, so to speak, absolute standards rather than relative ones, and other theories of value will only be gone into in so far as is absolutely necessary to the discussion of the main criticism levelled against the Marxian theory. This particularly applies to the so-called "modern" theory of value familiarly known as the Austrian, although by origin and popularity England has as much claim upon it as Austria. This "honorable mention" of the Austrian theory of value is due not so much to its own originality or importance, as to the fact that it seems to be the prevailing one among the latter-day Marx critics, Böhm-Bawerk himself taking the lead in the particular field of inquiry now under discussion.

While, as we have already stated in the introductory chapter, each tub of anti-Marxian criticism lays claim to and is entitled to stand upon its own bottom, in the discussion of the Marxian theory of value and surplus value, we will, to a great extent, have to limit ourselves to the arguments advanced by Böhm-Bawerk. The reason for it is two-fold: first, because Böhm-Bawerk is so far superior to his comrades in arms, and his authority on the subject is acknowledged by them to such an extent, that it can hardly be claimed to be unfair to these critics, to pick Böhm-Bawerk as an example of them all. Second, because there seems to be quite a good deal of unanimity among these critics on this particular point, and the arguments advanced by the others are either directly borrowed from Böhm-Bawerk, very often, with an acknowledgment of receipt, or are variations on the same tune deserving no particular attention. Where the variation is sufficiently distinct to make a difference, it will be duly noted, as will,

certainly, all those arguments which have any claim to an independent source.

Böhm-Bawerk starts out by stating that all the predecessors of Marx who have adhered either in whole or in part to the labor theory of value, including such great lights of the science as Adam Smith, David Ricardo, and Karl Rodbertus, have really "assumed" the labor theory of value without even as much as attempting to prove it. It was pure assertion on their part, without the semblance of an argument to support it. Karl Marx was the first who not merely asserted the labor theory of value but also attempted to prove it. In this Böhm-Bawerk recognizes Marx's superiority to the great luminaries of the science of political economy who have preceded him. But he does not like the way Marx did it, and is not convinced by the proof offered by Marx in support of his theory. Böhm-Bawerk, like the good professor that he is, instructs us as to how Marx should have gone about the job of proving his theory of value and puts his emphatic disapproval on the way Marx is supposed to have actually gone about it. He says that there were two ways open to Marx: first, to analyze the "psychological motives" to which the process of exchange is due; or, second, to examine the actual "experiences" of the relations of exchange. Instead of adopting either of these two courses, he says, Marx adopted a third rather peculiar one for the subject of this inquiry, namely, that of purely logical deduction and dialectic argumentation.

That Marx did not go about the task of discovering the true laws of exchange-value by way of an analysis of the "psychological motives" of exchange is perfectly true. And we have already seen in the preceding chapter the reason for it. The problem by its very nature showed that its solution lay in some social phenomenon and not in any attribute of the individuals entering into the relation of exchange. The "psychological motives," therefore, of exchange, could not possibly have anything to do with the problems that confronted Marx. Aside from that, it was

very evident that "psychological," as well as other "natural" motives or causes which remain unchanged throughout the history of mankind, could not be the cause, nor offer any explanation, of the phenomena of capitalist production and distribution which are not common to all human society, but are strictly limited in time as well as in place to only a small portion thereof. It is the same thing that we have already observed in discussing the Materialistic Conception of History:—a constant factor cannot possibly be the cause of a change in the result of an operation. ✓

It is not true, however, that Marx did not adopt the course of examining the actual experiences of exchange relation. Nor is it true that the course he did adopt was that of purely logical deduction. Marx did make a thorough examination of the actual happenings and "experiences" of the exchange relation as Böhm-Bawerk would have him do, although this job did not prove so very "simple" as Böhm-Bawerk imagined it would. In order, however, that he might learn something that was worth while from the actual "experiences" of the exchange relation, he had to put these "relations" to a very careful analysis. In doing that he was certainly guilty of using some very sharp and pure logical reasoning. In this he could not help himself, as he was "naturally" so constituted that to whatever task he applied himself he could not help but use his logic. And that was of the very purest sort. There were, however, no purely logical *constructions* or *abstractions* used by him in order to prove his theory of value or surplus value. Those abstractions which he did make, and they will be duly noted, one by one, in the course of the discussion, were not only justified, but required and demanded by the subject matter itself. But he did not start out with any purely logical notions or abstractions, nor did he proceed to any purely logical constructions. On the contrary, he kept to his base all the time, and that was the solid ground of the facts of capitalistic production and exchange. It is very significant that in the whole volume of

Marx's economic writings there is no mention of the "economic man" or of his supposed attributes, "psychological" or otherwise. Nor is any kind of an abstract man part of his discussion. Throughout his entire work he keeps strictly to his problem, and that is the doings of the real, live man in the real historic situation known as the capitalist system. In this connection it is more than a mere curiosity to compare the opening passage of Capital with the opening passages in the works of some of his illustrious predecessors and contemporaries.

Adam Smith's *Wealth of Nations* opens with the following passage: "The annual labor of *every* nation is the fund which originally supplies it with *all* the necessaries and conveniences of life which it annually consumes, and which consist *always* either in the immediate produce of that labor, or in what is purchased with that produce from other nations."

The opening passage of Ricardo's "Principles" reads as follows: "The produce of the earth,—all that is derived from its surface by the united application of labor, machinery and capital, is divided among three classes of the community, namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the laborers by whose industry it is cultivated. But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different, depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity and instruments employed in agriculture."

Jevons, the English head of the "Austrian" school, opens his book on the principles of political economy with the following words:—"The science of political economy rests upon a few *notions* of an apparently simple character. Utility, wealth, value, commodity, labor, land, capital, are the elements of the subject; and whoever has a thorough

comprehension of their nature must possess or be soon able to acquire a knowledge of the whole science. As almost every economical writer has remarked, it is in treating the simple elements that we require the most care and precaution, since the least error of *conception* must vitiate all our *deductions*. Accordingly, I have devoted the following pages to an investigation of the conditions and relations of the above-named *notions*."

And the opening passage of Böhm-Bawerk's own book on capital reads:—"He who possesses a capital is as a rule in a position to derive from it a continued net income, which income is known to science under the head of Rent of Capital or Interest of Capital in the broader sense of the term. This income possesses certain remarkable qualities. It arises independently of any personal activity of the capitalist,—it comes to him even though he never raised a finger to create it, and seems therefore most truly to flow from, or according to an ancient simile, to be generated by capital."

All of these great luminaries of the science seem to be ready to lay down general laws governing human society, without regard to time and place. They all seem to be oblivious of the fact that the laws which they are about to explain have no universal application and are limited to a certain form of society, far from being universal in space, and further still from being perpetual in time. Not one of them seems to have given the slightest thought to the fact that the phenomena which he was about to describe and examine were part of a certain historical situation and the result of a certain historical development. History, with its actual, real facts and relations does not exist for them. All the nations, all the ages, and all stages of human development are subject to the laws which they lay down. To one of them, and that one the great "modern" Jevons, one of the great triumvirate of the "modern" school (Jevons,—Menger,—Böhm-Bawerk), the laws of political economy are not only extra-historic but extra



everything else that has a semblance of reality, and reduce themselves to a few purely logical "notions," a correct "conception" of which gives one the key to the science of political economy quite irrespective of the knowledge of the facts of life, which seem to be an entirely negligible quantity to our great "modern" scientist.

Contrast with all this the opening sentence of Marx's *Kapital*:—"The wealth of those societies in which the capitalist mode of production prevails presents itself as an immense accumulation of commodities." With one mighty stroke of the pen all the conditions and limitations of the problem are given, the picture put in its historical setting! No soaring in the air, superior to space and time. No generalizations that may fit everything in general and nothing in particular. But a real, live situation, with a definite burning problem. No wonder that instead of losing himself in generalities or wasting himself on definitions of all sorts of "conceptions" and "notions," he delves right into the heart of the problem, and declares immediately that "our investigation must therefore begin with the analysis of a commodity." This he immediately proceeds to do. And how he does it!

To be sure, he does not do it to the entire satisfaction of his critics, but we shall see that this is due mainly to failure on their part to understand his work, as is the claim of Böhm-Bawerk about the supposed purely logical argument employed by Marx. Where these critics do understand Marx, their dissatisfaction with his argument is due to their lack of knowledge of the subject itself.

Solonimski, for instance, objects to Marx's analysis for the reason that in this analysis "the conception of labor becomes independent of the purposes and necessities for which it was undertaken," and the value created by labor "becomes an independent quality inherent in the commodity irrespective of its usefulness and exchange-value." Aside from the evidently absurd statement that according to Marx the *exchange-value* of a commodity is inherent in the com-

modity irrespective of its *exchange-value* (Marx knows of only two kinds of value: use-value and exchange-value, and wherever he says simply "value" he means exchange-value), the statement contains some important inaccuracies.

To begin with, Marx never forgets the "purposes and necessities" for which production is undertaken. Quite the reverse: this thought is ever present in his mind, and it is due to this very fact that Marx did not fall into some of the grievous errors into which his critics, particularly the "moderns," have fallen. These gentlemen talk of the "psychological" motives of exchange as the cause and measure of value, all the time forgetting that before a commodity can be exchanged it must be *produced*, and that there must therefore be, first of all, "psychological" motives of *production* which ought to be of some considerable interest. Not so with Marx. He always remembers that in our capitalistic system (be it remembered: Unlike his critics, Marx never talks of eternity, but of the present capitalistic system) production is undertaken for the *purpose* of *profit*. This implies two things: First, that the producer *does not* produce the thing for its use-value, he does not give a snap for that, it is absolutely *useless* to him, and he will just as soon manufacture chewing-gum as Bibles.—And, second, that he knows in advance, or at least thinks he knows, the value of the product he is going to produce; in other words, he knows that the value of his product will depend on something more substantial and rational than the whimsical "desire" of the prospective purchaser based on some individual, "psychological" motivation. And this knowledge on the part of Marx of the *purposes* of capitalistic production had something to do with his abstracting from the useful qualities of the particular commodities when examining their exchange-value, as well as with his refusal to follow Böhm-Bawerk's advice to arrive at the laws of exchange-value by way of an examination of the "psychological" motives of exchange.

It is also somewhat inaccurate to say that, according to

Marx, exchange-value is *inherent* in a commodity, or that it is independent of its usefulness. Marx, as we have already seen, specifically says that exchange-value is not something inherent in a commodity, that it could not be inherent in it, for it changes with social relations; that the whole thing is merely the expression of a social relation and appears only under a certain social system. Marx also says specifically, as also already stated, that no commodity can have exchange-value without its having use-value, that use-value is the substratum of exchange-value, although it is neither its cause nor its measure. But then,—Marx contradicts himself! Poor Marx! he contradicts himself so much and so radically that one is forced to the conclusion that he must have been a raving maniac, and one is surprised to see the big regiment of these very learned and clever gentlemen bothering with the scribblings of such a poor wretch.

Böhm-Bawerk, who thinks that Marx's was one of the greatest minds that applied themselves to this subject, also finds great comfort in Marx's supposed neglect of *usefulness* as influencing the exchange-value of commodities. He does not say that Marx contradicts himself, but he thinks that he caught Marx in a mental *faux pas*. Indeed, this is one of the greatest, if not the chief point, in his whole argument against Marx's analysis of a commodity, by which he arrives at his labor theory of value. Marx says:

“The exchange-values of commodities must be capable of being expressed in terms of something common to them all, of which thing they represent a greater or less quantity. This common “something” can not be either a geometrical, a chemical, or any other natural property of commodities. Such properties claim our attention only in so far as they affect the utility of these commodities, make them use-values. But the exchange of commodities is evidently an act characterized by a total abstraction from use-value. Then one use-value is just as good as another, provided, only, it be present in sufficient *quantity*. . . . As use-

values, commodities are, above all, of different qualities, but as exchange-values they are merely different quantities and consequently do not contain an atom of use-value. If, then, we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labor. But even the product of labor itself has undergone a change in our hands. If we make abstraction from its use-value we make abstraction at the same time from the material elements and shapes that make the product a use-value; we see in it no longer a table, a house, yarn, or any other useful thing. Its existence as a material thing is put out of sight. Neither can it any longer be regarded as the product of the labor of the joiner, the mason, the spinner, or of any other definite kind of productive labor. Along with the useful qualities of the products themselves, we put out of sight both the useful character of the various kinds of labor embodied in them, and the concrete forms of that labor, there is nothing left but what is common to them all; all are reduced to one and the same sort of labor, human labor in the abstract."

To which Böhm-Bawerk: "How is that? Where is the difference between labor and utility? While it is true that in the exchange relation of commodities the particularly useful qualities of the articles exchanged do not matter, the general *usefulness* of the commodities is not abstracted from. On the contrary, it remains common to them all. It does not matter whether the commodity can be used as an eatable, wearing-apparel, or for shelter, but it does matter that it be of some use, of use in general. Why, then, is utility rejected as a cause and measure of exchange-value, why is it 'abstracted' from? Again, when considering labor Marx is compelled to abstract from the particular kind of labor contained in the commodity, so that what is left to all commodities in common is general labor, labor in the abstract. Just as there still remains in common to all of them general usefulness, usefulness in the abstract. Why, then, this partiality for labor as against usefulness? Where is

the reason for the discrimination in favor of the one as against the other, which makes the one the sole cause and measure of value, and denies to the other any influence whatever on this phenomenon?" And all this with such an amount of emphasis, that if it depended on that alone, the whole Marxian theoretical edifice would be smashed to pieces, which Böhm-Bawerk naively imagines that he does.

We do not presume to know whether Marx was ever embarrassed by these questions. But we venture to say that if he ever were, and all the resources of logic failed him, he had only to turn to the *purposes* of capitalistic production to be relieved of any difficulty. Slonimski touched a sore spot of anti-Marxism when he broached the subject of *purposes* of production, which his more discreet colleagues usually pass in silence. We have already dwelt on the subject at some length, but it is of such paramount importance that we cannot dwell upon it too much or recur to it too often.

Before commodities are exchanged, they are produced. They are produced, however, with a view to their exchange, and to the value to be realized on such exchange, and in the exchange itself the question of how, and in what manner the commodity was produced has a good deal to do with the fixing of its value. It is not, however, the question of the usefulness of the production that is considered. We have already mentioned that a capitalist will just as soon manufacture chewing-gum as Holy Bibles. But more than that. The *purposes* of the production of commodities being the realization of a *profit*, a capitalist will just as willingly manufacture an *absolutely useless* article, if he will be assured of a profit. He does not manufacture absolutely useless things, because in order to get a purchaser it must be of some use to somebody, but he personally *does not* care a rap whether it really is useful or not. Again, when the article is of some use to somebody, that is, salable, he does not care a bit about anything that goes to make it useful. This is absolutely indifferent to him. He will manufacture any shape, color, taste or other quality, and when he comes to

exchange it,—sell it—he will not be concerned a bit whether the commodity he produced and is about to exchange is white, black, orange, or any other color; whether it is square, round, pointed or any other shape; sweet, sour, fragrant or otherwise; hard or soft, or whether it possesses any other quality which may determine its particular usefulness. But he *will* care how much labor it contains! This can readily be seen in our “advanced” methods of doing business when goods are “ordered,” that is, sold—exchanged—before they are produced. In making the sale-exchange the producer will comply with any request as to shape, color, taste, or any other natural quality which affects the usefulness of the commodity with alacrity, as it is a matter of complete indifference to him. But he will stand out against anything that will require him to put into the commodity more labor. In taking your order—exchanging *in prospecto* his goods for yours—he will “abstract” from any and all natural qualities upon which the usefulness of the commodity depends, but he will absolutely refuse to “abstract” from labor, and will doggedly insist on considering it when making valuations. Further, he will gladly “abstract” from the *kind* of labor. If he is willing to give you for a certain price the labor of, say, one hundred men for ten days, he will just as soon give you the product of the labors of tailors as of shoemakers. But he will make a stand on the question of the *quantity* of labor. He wouldn't give you any *more* than he can help.

These actual “experiences” of the exchange relation which we have recounted are perfectly represented in Marx's “logical” analysis, with which Böhm-Bawerk finds fault. It is true that as regards both labor and usefulness, we “abstract” in the exchange relation from the particular, the particular labor and the particular usefulness, and leave only the general labor and the general usefulness. But in abstracting from the particular utility we have abstracted from the *quality* of the utility and have shown the exchange-relation to be a purely *quantitative relation*. But general

usefulness cannot be *measured* as to *quantity*. It is hard to measure qualities unless they are of the same kind. But it is absolutely impossible to measure the general, abstract usefulness of different things. How do you find the different amount of usefulness contained in a piano as compared with a suit of clothes, of an extension-table as compared with an engine-boiler? How do you measure general usefulness? If you cannot measure it, it cannot serve as a *measure* of value. And if it cannot serve as a *measure* of value, it cannot be the *cause* of value, for we judge the cause of value from the *changes* in value as shown by the measure of value. We find the very *existence* of value only because of its *measure*. Besides, the residuum of general usefulness which remains after we abstract from the particular useful qualities, is *not general* usefulness to the parties concerned in the exchange, and who fix the exchange-value, but general usefulness to *somebody*, that is to *society* at large. For the parties exchanging the commodity it has *no use-value whatsoever*.

Not so with labor. When we abstract from the particular labor contained in the commodity we abstract only from the *kind* of labor, that is, from its *quality*, but not from its *quantity*. *And it is just the quantity that we want, as the exchange of commodities is a quantitative relation*. And this quantitative relation of labor exists for these very people who enter the exchange relation. Abstract, general, human labor can be measured quantitatively, and quantitatively only. That is why Marx's analysis is perfect. Abstract human labor, irrespective of the particular quantities of the labor employed to produce this commodity, abstract human labor, whose only measure is *time*, is the cause and *measure* of exchange-value.

Marx, however, never rests his case on a purely logical argument. Logic is to him only an instrument to the proper analysis and understanding of the actual facts of "experience." We have seen that, as a "logical" proposition, usefulness is entirely eliminated from value. But we have

seen from our examination of the "experiences" of the exchange relation that there is some residuum of usefulness, general usefulness to society, which plays some role in it. We have seen both as a matter of logic and of experience that it is not, nor could it be, either the cause or the measure of value. What, then, is its role? True to himself, Marx would not leave any actual fact unaccounted for. It is absolutely untrue that Marx disregards usefulness as a factor of value. Notwithstanding the fact that this is assumed by every critic of the Marxian theory of value, it is absolutely and unqualifiedly untrue, and is only one additional link in the long chain of proof that an absolute lack of understanding of the Marxian doctrine seems to be the first qualification of a modern Marx-critic.

General, social usefulness has some influence on exchange-value. It is not its cause nor its measure. What is it? It is its limitation. The facts of exchange, the "experiences" of the "exchange-relation," prove that general, social usefulness, the only usefulness which plays any part in the exchange of commodities under our capitalistic system, is neither the cause nor the measure of exchange-value, but its limitation. And this is borne out by Marx's very "logical" analysis, which so much aroused the ire and indignation of Böhm-Bawerk that he almost forgot the respectful attitude which he usually assumes towards Marx. This result of experience and analysis is one of the main features of Marx's theory of value, that feature which more than any other, stamps it as peculiarly his own. We have already seen that, according to Marx, it is not *every* labor that creates value, but *socially necessary* labor. We have also seen already that Marx's conception of "socially necessary" includes the general as well as the relative usefulness of the commodity to society. That is why, according to the Marxian theory, the value of a commodity is not measured by the labor actually contained in a commodity, but the labor socially necessary to reproduce it. In the last chapter we have seen the historical basis of Marx's theoretical conclu-



sions, now we see their logical and "experimental" justification.

Strange as it may seem, the very critics who are most vehement in the denunciation of Marx's so-called abstractions as unwarranted, and his supposed disregard of the "category" of usefulness as unpardonable, are at the same time raising an outcry against Marx for his insistence that only "socially necessary" labor is the cause and measure of value! With all their astuteness they cannot see the very simple fact that Marx *does* include usefulness as a factor of value, and that this very inclusion, which they loudly demand, accounts for the "socially necessary" which they no less loudly abjure! Indeed, none are so blind as those who will not see.

## II.

We have seen the baselessness of the chief objections to Marx's analysis by which he comes to regard labor as the "common something" of all the commodities which must be the cause and measure of value. The objections noted, while the most important, are not, however, the only ones. There are other objections urged against this analysis by Böhm-Bawerk himself as well as by the noted German economist, Professor Carl Diehl, not to speak of our old acquaintances, L. Slonimski and Professor Masaryk. We will attempt to exhaust the list and to pay our respects to all of them but one, who will be pointed out; and that one will not be considered here for the reason that certain other phases of the Marxian theory must be explained before the objection and the answer thereto can be properly appreciated. This task will, therefore, be left for the next chapter, which will be specially devoted to it. We refer to the so-called "Great Contradiction" between the Marxian theory of value and the theory of the Uniform Rate of Interest. Incidentally, we will have occasion to examine into the supposed contradictions between the first and third volumes of "Capital."

In discussing these objections we will have to pursue the course adopted by us of following more or less closely on the heels of Böhm-Bawerk, except where others specially claim our attention.

The first objection to be noted here is, that Marx's analysis must, of necessity, be faulty, for the reason that the field of his investigation was not broad enough; that he did not take as the subject of his analysis all "goods" which may be the subject of exchange, but only "commodities," that is, goods created by labor. It is claimed that by thus limiting his analysis from the outset to the products of labor only, he prejudged the case and forced the result of leaving labor as the only "common something," and that if the analysis were to be made on all exchangeable "goods" the result would be different. As Böhm-Bawerk puts it:—Marx purposely puts into the sieve only those things which can get through it. And he adds:—"Marx is careful not to give us any explicit statement of the fact that, and the reason why, he began his *investigation*, by excluding therefrom a part of the goods possessing exchange-value."

It will be noticed that Böhm-Bawerk does not use the word, "analysis," but "investigation." This is one instance of the careless use of terms for which *all* Marx critics are well noted. While seemingly a mere trifle, this interchange of words is, in reality, a matter of quite some importance. An analysis is a purely logical operation used as a means to show the logical counterpart of some actual phenomenon. It serves to formulate, by bringing into play our powers of abstract reasoning, a general conception of the mass of particular facts. While, therefore, analysis is a helpful means in arriving at a generalization, it is no *proof* of its correctness. On the contrary, it is the correctness of the generalization that is usually the best proof of the faultlessness of the analysis. The mastery of a subject will be shown by the ability to recognize which phenomena are most typical for the subject-matter under consideration. But this can not be found out from the analysis itself, but must be

gathered from outside sources. The best proof of the typicalness of the phenomena selected for analysis is usually obtainable only after the analysis has been completed, the generalization obtained, and the stage of *proving* the generalization arrived at. The proof of the generalization, if the same be correct, will itself reveal these typical phenomena.

*Any* analysis will, therefore, be justifiable, which will serve this purpose of arriving at a proper generalization. In making the analysis, therefore, we must not be guided by the "equitable" claims of different phenomena to be analyzed, but merely by the one consideration: to find those facts the analysis of which will best serve the purpose for which the analysis is undertaken. Usually, it is not the analysis of the greatest number of phenomena, but of the most typical phenomena that will serve the purpose best.

We have already seen in a preceding section that Marx had ample historical and logical *justification* and *warrant* to *assume* that the factory product was the most typical of the exchange-value-possessing commodities, and therefore, the most proper subject for his analysis. Just as, to borrow an example from another province of scientific research, in order to obtain exact knowledge of the chemical composition of water, we must not analyze as many sorts of water as possible, but, on the contrary, only one sort of it, the most typical, that is, *pure unalloyed water*. The *proof*, however, of the correctness of his assumption is *furnished by the same facts which prove the generalization* which is the result of the analysis. For, as we have already stated before, Marx does not depend on this analysis, nor on any other purely logical operation, to prove his theory, but on the facts themselves. In order, however, that the facts should prove anything, *all* the facts had to be examined and *investigated*. And if Böhm-Bawerk's statement were true that Marx did not include in his *investigation* all "goods" possessing exchange-value, his theory would remain unproven,—and if the excluded "goods," upon investigation, would prove

something else than those included, his theory would be absolutely refuted.

Fortunately for Marx, however, and unfortunately for Böhm-Bawerk, Marx did *thoroughly investigate* these very "goods," "which possess exchange-value although they are not the product of labor," under which cloudy description is meant the soil and other "natural" objects which are the subjects of bargain and sale. Not only is Marx's investigation of this particular branch of the subject thorough (it occupies about 200 pages of his book), but his theoretical explanation thereof is so convincing, that none of his critics, not even Böhm-Bawerk, have ever as much as attempted to refute it. We think, therefore, that we are very charitable to Böhm-Bawerk when we assume that he really did not mean to say that Marx excluded these particular "goods" from his *investigation*, but merely from his *analysis*; and that he simply fell a victim to the deplorable lack of precision which seems inseparable from *all* Marx-criticism.

We must add, however, that we dwelt at such length on this point not merely because we were anxious to "show up" the carelessness of terminology and lack of precision of thought, in even the greatest of Marx-critics, important as this may be, but because the subject-matter involved in this objection is of great importance in the opinion of all Marx-critics, as well as our own. It really amounts to this: — that the labor-theory of value does not take "nature" into account or consideration; "it denies the participation of nature in the production of goods." Now, this, if true, is a very serious charge. The denial of the participation of nature in the production of "goods," or anything, for that matter, is so manifestly absurd that it will vitiate any argument, analysis, or other logical operation, into which it enters. Could Marx have been guilty of anything like that? Countless expressions of Marx show that he was not ignorant of the participation of nature in the production of "goods," if proof is necessary that Marx knew of the *exist-*

ence of nature, because that is what this charge amounts to. How, then, did he deny it? How *could* he deny it? Well, of course, he couldn't. And . . . he didn't! We quote Böhm-Bawerk: "That they (commodities) are just as much the product of nature as of labor — nobody says more explicitly than Marx himself when he says:—'The bodies of commodities are combinations of two elements, natural matter and labor;' or, when he cites with approval Petty's remark that:—'Labor is the father (of material wealth), and the earth is its mother.'" The guileless reader is evidently puzzled. But there is really nothing to be puzzled about. Marx is simply at his old game of contradicting himself in the most stupid manner imaginable.

If Böhm-Bawerk himself were not so careless and slovenly in his expressions, he would have noticed that when Marx speaks of the "participation" of nature he always refers to the "bodies" of commodities, or "wealth"; and when he speaks of labor as its source of measure, it is always exchange-value that he has reference to. Marx does not claim that labor is the only source of *wealth*. On the other hand, he *does* deny the "participation" of nature in the creation of exchange-value. And rightfully so. Nature, including all the material substances and forces which go into the production of "goods," has always existed, and remains unchanged. So has "wealth" (meaning ~~in this connection~~ an aggregation of useful articles), at least as far as we are concerned. Not so with exchange-value. Notwithstanding the existence of "nature" from time immemorial, and the application of labor thereto from the very beginning of the human race, this combination has failed to produce exchange-value, which makes a commodity out of a mere "good," until the appearance of the capitalistic system. It is evidently something connected with the capitalistic system, and not "nature," that is responsible for this result and should be called upon to "account" for it. That is why Marx went in search of the social phenomenon which distinguishes the capitalistic system from its predecessors, as was

already explained at length in a preceding section. It is interesting to recall here, however, that we have encountered the same trouble over Marx's supposed neglect of "nature" when discussing the Materialistic Conception of History. An additional proof of the monism of the Marxian System, and of the opinion oft expressed here that all Marx-criticism suffers from the same vices.

In justice, however, to the Marx-critics, it must be stated right here that some of Marx's own adherents, or supposed adherents, suffer from a good many of these vices. We shall have occasion hereafter to treat this subject more at length. Here we want to refer only to a historical incident, which is right in point, and at once illustrates the prevalent carelessness in the choice of expressions, and Marx's quickness to "sit on them" wherever they are found, without any bias to friend or foe. In 1875 the socialists of Germany adopted a program at their national congress, held at Gotha, the opening sentence of which read: "Labor is the source of all wealth and of all culture." On learning of the contents of the draft proposed by the leaders Marx wrote a letter containing some annotations. He started out by quoting the opening sentence quoted by us above, and made it the occasion for the following remarks: "Labor is *not* the source of all wealth. Nature is just as much the source of use-values (and it is of these that material wealth consists), as is labor, which is itself the manifestation of a natural force,—human labor power."

There are other objections to Marx's analysis. This time not to what goes into the analysis, but as to its result. In commenting on Marx's statement that aside from the use-value of their bodies, commodities have only one common property left, that of being products of labor, Böhm-Bawerk asks: "Is that really the only common property left? Have not the exchange-value-possessing "goods" still left to them, for instance, the common property of being scarce in comparison with the want for them? Or, that they are the subject of supply and demand? Or, that they

are *appropriated*? Or, that they are "natural" products? And then he adds: "Why, then, could not the principle of value lie just as well in any one of *these* common properties, instead of that of their being the products of labor?" The last question, that of "Nature," has just been disposed of by us. The one preceding it, that of "appropriation," is a rather curious one to be broached by an anti-Marxist of the Böhm-Bawerk type, for it suggests a lot of discussion, which may prove uncomfortable to those who have "appropriated" to themselves everything, and we may yet return to this phase of the question. For the subject of our present discussion, however, the question of "appropriation" is beside the point. To begin with, being appropriated is not a *property* but a condition or relation, and that not of the "goods" themselves, but of men with reference to them, so that being "appropriated" could evidently not be a *common property* of the "goods." We will not stand, however, with Böhm-Bawerk on small matters like that, for as we have already seen, precision of expression is not part of his equipment. But whether property, condition, or relation, or anything else, "being appropriated" is no objection to Marx's analysis. The "principle" of "value" of "goods" could not "lie" in their "being appropriated," for the same reasons that it could not be due to "nature." While "goods" were not "being appropriated" for quite as long a time as they were being produced by nature, they were so for sufficiently long a time before the appearance either of the capitalistic system or exchange-value to settle the question.

Being "scarce" or being the subject of supply and demand, can hardly be said to be something which all "goods" *possess* in common. But as we have already stated, we wouldn't stand with Böhm-Bawerk on such things as precision of expression and other requirements of logical reasoning. There is, however, something else about these two questions to which we desire to call the attention of the reader: These *two* questions are really *one*; being scarce in comparison with a want is the same thing as being the

subject of supply and demand. Why, then, put this up as two separate questions? This would be unimportant, but because of the frequency with which, as we shall have occasion to see later, Marx-critics employ this cheap manoeuvre of "criticism." It is common practice among them to repeat the same matter in different ways, in such a manner as if they were stating separate objections, in order to make a "showing" by piling up a great quantity of objections.

Supply and demand is, as we have seen, not a *property* of "good" but an accident of its existence. It is not something contained in it, nor is it anything in any way connected with its production. Its qualities and properties as a "good" are not in any way affected by the conditions of its supply and demand. There is no "common something" in goods which may be called their conditions of supply and demand, for no good *contains* in itself the conditions of its supply, and its demand can not only not be contained within itself, but it presupposes its absence. Logically, therefore, it could certainly not be said that being the subject of supply and demand could be the "common something" which is the source and measure of value. There is another good logical reason why supply and demand could be neither the source nor the measure of value. The proposition that value depends on supply and demand seems such a very simple one, so much a matter of "common sense," that few take the trouble to inquire into its real meaning. A careful examination of the matter will show, however, that this is logically impossible. Let us see what it is: Supply and demand work in inverse directions; when the supply increases value diminishes, and when the supply diminishes value increases; and the reverse is true of demand. Now, let us suppose a condition (the ordinary condition for most goods), where the supply and demand are normal, that is, cover each other. What should the value of the commodity then be? Evidently, nil; for the two factors working upon it in opposite directions, the supply and the demand being equal, neutralize each other, balance each other. But as



we know that "goods," or at least some "goods," and that the most characteristic, always have some value, there evidently must be something which causes commodities to have value when supply and demand balance each other, and have, therefore, no influence.

This question of logic is best explained and tested by the facts. Value is a relative term, and is ascertained by exchange. When we speak of the value of a commodity, we compare it with something else; in our highly developed society, we compare it with the universal commodity—money. When we make a sale or exchange we compare the values of the things exchanged by exchanging them in a certain proportion. Let us, therefore, take any two commodities, say, a chair and a table. Let us say that under any given conditions of supply and demand equal for both, say normal, they exchange at the ratio of two chairs to one table. What fixes their relative value? The conditions of supply and demand being the same for both, they ought to exchange as one to one. Again, let us increase their supply equally, say fifty per cent. Their "value" will diminish,—in comparison with other articles whose supply was not increased,—but their *relative value to each other will still remain the same*. The same thing will happen if, instead of increasing their supply we will diminish it; or, if we will increase the demand or diminish it. In other words, no matter under what conditions of supply and demand we will place them, as long as those conditions are equal, they will still retain their relative value of two to one. Evidently there must be something *in them* which makes their relative value remain the same under *all conditions* of supply and demand to which they may be alike *subjected*. What is it?

It was to find this "common something" *contained in them*, and which evidently is the source and measure of their value *irrespective* of the *conditions* of supply and demand to which they are *subject*, that Marx took up the analysis of the commodity. It was, therefore, simply puerile to point to

supply and demand as the possible "common something" "wherein may lie" their value.

Again, the same commodity, under the same conditions of supply and demand, will have different values at different times if the methods of its production have changed. A fact which practically fills up the history of modern production.

The reader might ask: "While it seems to be true that supply and demand cannot be the source or measure of value, it is still a matter of experience,—and appears in the very examples examined here,—that the condition of supply and demand *does influence* the ratio of exchange of commodities, that is, their value. How do we account for it?" This consideration seems to be what led astray many economists. In fact, the matter does seem extremely confusing. It is evident that value *must* have some source outside of supply and demand, and yet there is no denying the influence of the latter on the ratio of exchange which fixes the relative values of commodities. This confusion is only apparent, however, and not real. It is due to a failure to distinguish between the *value* of commodities and the *prices* which they bring on a particular sale in the market.

We have already explained at length in a preceding chapter that value and price are different and distinct categories. This distinction must always be kept in mind, and a failure to keep this in mind will result in no end of confusion. When this distinction is borne in mind it will at once become apparent that the seeming influence of supply and demand on value is a mere optical illusion. What it does influence is the Price, which oscillates about the value as its normal resting place, to which it constantly gravitates. That is why, when supply and demand cover each other, the price is not nil: it is then at its normal resting-place,— Value; Price and Value then coincide. That is why different articles will, under the same conditions of supply and demand, exchange in an infinite number of ratios to each other, as the same conditions of supply and demand will only result for all of

them in the same relation between Price and Value, but the actual price of each will depend on its own value which may, of course, be different for each. That is, in fine, why the same commodity will, under the same conditions of supply and demand, have a different price at different times, if there has been any change in the method of its production; for its value depends on its production, and will be different if different methods of production are employed, and the equal conditions of supply and demand will only bring about the same relation between Price and Value.

Many opponents of Marx make a point of the fact that Marx's theory of value does not show the formation of prices, is no guide to the *actual* prices paid for commodities. But a theory of value need not show that, and, as a matter of fact, could not. It would not be a theory of value if it did. This is admitted even by one of Marx's greatest opponents, Professor Carl Diehl. He says:<sup>1</sup>

"It must be settled right at the outset that for Marx, as for any other theorist on the subject of Value, there can be no identity between Value and Price. This follows necessarily from the radical difference between the two conceptions. The price of a commodity is a concrete quantitative determination: it shows us the quantity of goods or money which must be given in return for this commodity. Value, on the other hand, is an abstraction. When we speak of the value of commodities, we mean the regulative principle which lies at the basis of the formation of prices." This is, in effect, what Marx says in the passage already quoted by us. And the facts of experience, as we have seen, amply justify his position. It is with this, as with other appeals to the facts, some of which we have already disposed of, and others are to be gone into hereafter, for Marx-critics never tire of the assertion that the *facts always and completely* refute Marx.

"*Experience shows,*"—says Böhm-Bawerk,—"*that the*

<sup>1</sup> Carl Diehl, Ueber das Verhaeltnis von Wert und Preis im Oekonomischen System von Karl Marx. Jena, 1898.

*exchange value of goods stands in any relation to the amount of labor expended in their production only in a portion of them, and in that portion only incidentally. . . .* We shall see that the 'exceptions' are so numerous that they hardly leave anything for the 'rule.' Then comes a long list of "experiences" and "exceptions," which we will consider one by one, so that none escape our attention. It must, however, always be borne in mind that Böhm-Bawerk is not alone in these statements, assertions, objections and exceptions. On the contrary, he is ably supported by a large host of comrades in arms, who do not tire of blowing the big horn about what the facts are supposed to show.

And first of all "nature" looms up large again. We have disposed of her logically, but she still remains there to vex us in practical "experience." Not that any exchange-value is claimed for nature as such. All the bounties of nature are admitted to be as free as the air, provided there is as much of them; but, it is claimed, when natural objects are scarce, they have exchange-value, although no labor whatever was expended on them. "How about the native gold lump which falls down on the parcel of a landed proprietor as a meteor? or, the silver mine which he accidentally discovers on his land?" asks Böhm-Bawerk. "Will the owner be unmindful of nature's gift, and let the gold and silver lay there, or throw them away, or give it away as a gift again, only because nature gave them to him without his exerting himself?" "And why is it that a gallon of fine Rhine wine is valued at many times the value of some cheap grade of wine, although the work of producing them may be the same?" And Professor Knies asks: when a quarter of wheat is equivalent in exchange to a cord of wood, is there any difference between the wood produced by human labor in an artificial grove and that which grew wild in the primeval forest?<sup>1</sup> And Professor Masaryk chimes in: "Why is virgin soil bought and sold?"

As will have been noted, all the examples upon which

<sup>1</sup> Karl Knies, *Das Geld*, p. 121.

these objectors rely are drawn from the sphere of agriculture, except, of course, when they are taken from the air, like the golden meteor. Yet, they comprise two different categories of objects. In the one category are to be placed those objects whose attainment without labor is purely accidental, and in the other those whose attainment without labor is the only way in which they are attainable, for the reason that they can not be produced by labor at all. The value of the articles of the first category does not *contradict* the general *laws* of value as they are laid down by Marx, nor does it even form an *exception* to the rule. The gold-lump accidentally found by a man will not be thrown away, no matter whether it was lost by somebody who spent labor for its production, or fell down from the clouds, for the reason that it has just as much value as if he had obtained it by hard labor. Its value, like that of all commodities, is the socially necessary labor which must be spent in its reproduction. The clouds not being in the habit of showering gold on us, and the necessarily prevailing method of obtaining gold being by spending labor on its production (strictly speaking,—on its extraction, as in the case of all products of the extracting industries), this gold, if wasted, as suggested by Böhm-Bawerk, could not be obtained again from the clouds, but would have to be produced by labor. The same is true of the silver found in the mine. Assuming, as Böhm-Bawerk seems to, that the mine was of such a character that it did not require any labor to extract the silver from it, the silver will still have the value represented by the labor socially necessary for its *reproduction*, owing to the fact that silver is usually obtained by working at its extraction. And it might as well be noted here, that, under the laws of Value as laid down before, it is the least productive silver mine necessarily in operation in order to satisfy the wants of society, that will set the norm for the value of silver, taking, of course, into consideration any by-product which may be obtained from such mine while mining for silver. The case of the wine is akin to that of the silver.

It must be remembered that "good" wine only has a greater value than "cheap" wine where it is wanted in society,—just like silver. There are places where "good" wine is not wanted; and places where silver is not much in demand. In such places "good" wine will not be considered of any more value than "cheap" wine; nor will silver be more valuable than some "base" metal. In societies where "noble" metals and "good" wines are wanted, these become the objects of special industries, respectively. And just as the labor expended on its extraction in the least productive silver mine sets the value on silver, because this mine must be used for reproduction, so will the labor expended on the production of good wine by cultivation of the least adapted soil necessarily employed therefore set the value on good wine, and for the same reason.

The same principle applies to the wood question. Where the "natural grown" wood of the primeval forests is insufficient to satisfy the wants of society and it has to be "raised," it is the labor expended on the "raised" wood that will set the value on all wood, and the wood of the primeval forest will have the same value as the wood artificially raised, for the reason that it can only be *reproduced* by means of raising; the cost of its *reproduction* is, therefore, the social labor necessary to be expended for "raised" wood.

It is entirely different, however, with the articles of the second category, chief and most typical among which is land. Why should land upon which no labor was spent for its production, and upon which no labor need or can be spent for reproduction have value? With all that, however, this does not *refute* Marx's theory of value. We have already stated before that Marx went into the examination of this subject at length, and formulated a theory which none of his critics have even attempted to refute. Indeed, singularly enough, this branch of the Marxian theory has been passed by his critics with little or no comment. This theory, however, amounts to nothing less than this:—that *land*

as well as all other objects which are not produced by labor *has no value*. This may sound strange in face of the fabulous prices that we know are sometimes paid for land. But these very fabulous prices are proof that the price paid does not represent the value of the land but something else entirely. Marx proves conclusively that rent is not the result of the value of the land, and the price of land is admittedly merely a "capitalization" of the rent. Marx calls attention to the fact, which is also mentioned by Böhm-Bawerk, who, however, fails to draw therefrom the proper consequences, that the price of land is a multiple of the rent by a certain number of years, the number depending on the prevailing rate of interest. In other words, it is not the *value* of the land that the price nominally paid for it represents, but the price of the rent. The transaction which formally and nominally appears as a sale of land, is in reality merely the discount of the rent. It differs absolutely nothing in character from the purchase of an annuity, which is not an exchange of present values but a mere banking operation. This is well known to real estate operators.

The best proof, however, of the *theory* that land has no value, is the *fact* that any amount of land can always be had on the largest portion of our Mother Earth without the necessity of paying for it. The query of Professor Masaryk, supposed to be a refutation of Marx by "the facts,"—"why is virgin soil bought and sold?" is to be answered: *The fact is that virgin soil is not bought and sold*. It is only after the soil has been husbanded and raped and has given birth to the bastard *rent* that it becomes the subject of purchase and sale, not before. And *this fact* ought to give the quietus, once and for all, to the claim that objects not produced by labor may still have value. It is true that it is pretty inconvenient for us to get to a place where land is obtainable without price because of no value, and that as far as we are concerned the argument of the places where land is free seems, therefore, *far fetched*. But, first of all, it is certainly no fault of the Marxian theory that our capitalistic class

has abducted from the people all the soil, so that there is none left either in its virginity or in the possession of lawful husbandmen. And, secondly, we might ask the great host of Marx-critics to point out one place on the face of the globe, where a single article produced by labor can habitually be obtained without giving an equivalent therefor. Not on the whole face of this globe, nor even in the clouds or among the stars where Böhm-Bawerk can get gold-lumps free, can anybody find a place where chairs, coats or bicycles can be gotten free. Evidently there is a difference which the learned and astute Marx-critics failed to observe, but which is nevertheless very interesting, and ought to be for some people at least, very instructive.

There is another group of "commodities," which, although of a different character, is to be considered in this connection. This group includes all those things which, although produced by labor, are essentially the product of some higher natural gift or power, and are, therefore, irreproducible by mere labor. This includes all works of art and the like. Not being the subject of production or reproduction by labor they are, naturally, not subject to the laws of value. But some ingenious Marx-critics, the indomitable Böhm-Bawerk among them, find great cause for rejoicing in this alleged "refutation" or "exception" to the laws of value as laid down by Marx. Ever faithful to their own confused nature and very consistently confusing economics with everything alien to it under the sun, they start out from their confusion of Value and Price, and adding to it the confusion of economic price with the colloquial application of the word price to every money-payment as a consideration for something, they declare that the Marxian theory of value must be false, for here are "goods" whose "value" is evidently not determined by labor. It does one good to see how these gentlemen who usually strut about like peacocks parading their lofty "moral sense" and "idealism," and constantly berating the Marxists for their supposed gross materialism and "levelling" tendencies, come down



from their high perch and place their "ideal" wares on a level with the grossest material things. Allured by the bait of making a point against Marx, they insist that high works of art embodying noble "ideas" are just as much "goods," "wares and merchandise" to be trafficked in as anything else that comes down the pike in "due course of trade." The willingness of these gentlemen to do so does not, however, make commodities of the works of genius, any more than their hypocritical phrases change the course of human progress. While the economic conditions of capitalist society reflect on the whole range of its ideas, creating there all sorts of distorted and shapeless beings, nobody is crazy enough to seriously apply the yardstick to these matters. While an "art journal" may sometimes quote a price of a great work of art because it "fetched" that much at a sale, no "dealer" even will dare say that the Sistine Madonna is equal in value to so many steam engines, or that a certain Raphael or Rubens has risen in value since J. P. Morgan became an art Mäcenas, thus augmenting the "demand." It is true that the excesses of capitalism have tainted everything with a mercenary spirit, and have made art the subject of traffic, but this no more makes "wares" out of art-subjects than the traffic in white slaves turns love and affection into merchandise. Nor has the purchase-money paid for them any more to do with the economic categories of price and value than that paid to the harlot in compensation for her venal favors.

A different situation is presented in the case of commodities which are the result of so-called skilled or higher classes of labor. Masaryk thinks it a complete refutation of the labor theory of value that one man's labor does not produce in the same space of time as much value as that of any other man's. And Böhm-Bawerk considers it awful theoretical jugglery for Marx to say: "Skilled labor counts only as simple labor intensified, or rather, as multiplied simple labor, a given quantity of skilled labor being considered equal to a greater quantity of simple labor. Experience shows that this

reduction is constantly being made. A commodity may be the product of the most skilled labor, but its value, by equating it to the product of simple unskilled labor, represents a definite quantity of the latter labor alone. The different proportions in which different sorts of labor are reduced to unskilled labor as their standard, are established by a social process that goes on behind the backs of the producers, and, consequently appears to be fixed by custom." "If," says Böhm-Bawerk, "the product of one day's labor of one man is of the same value as that of another man's five days' labor, then, no matter how people *consider* it, it forms an exception to the alleged rule, that the exchange-value of goods depends on the amount of human labor *incorporated* in them."

These objections evidently proceed upon the theory that Marx's "alleged rule" claims that the value of commodities depends upon the amount of labor actually incorporated in them in the process of their production. It is needless to argue whether these objections would amount to anything were this the "alleged rule," for the simple reason that no such rule was ever "alleged" by Marx. We have already seen, that Marx very specifically states that the value of a commodity does not depend on the amount of labor actually spent in its production. And this not only with reference to skilled and unskilled labor, but even with reference to unskilled labor itself. According to the Marxian theory of value, as expounded by us above, it makes absolutely no difference whatsoever, as far as its value is concerned, how much labor, of any kind, was actually spent in production of a commodity. The reason for this is, as already explained, that value, being a social phenomenon, depends entirely on social conditions of production and distribution, and does not depend on anything relating exclusively to the individual conditions of its production or exchange. This applies with equal force to the amount and kind of labor it cost its individual producer, as well as to the particular desires or wants of the persons immediately concerned in any of its mutations during the circulation process.

This being so, it is evidently absurd to make a point of the fact that one day's work of a skilled laborer may produce as much value as several days' work of an unskilled laborer, and to consider skilled labor as an exception to the laws of value. There is no exception, for there is no such rule except in the perverted imagination of Marx-critics, and, perhaps, some "alleged" Marxists. Were this "allegation" of the rule correct, the exceptions would be too numerous to count. We have already noted before one such important "exception," for instance, in the case of the introduction of improved methods of production before they are generally adopted, or the retention of obsolete methods of production. In either event the value of the commodities produced under the exceptional circumstances by ordinary unskilled labor will not depend on the labor actually spent in their production. Other "exceptions" will easily suggest themselves to the intelligent reader. The only trouble with all of them is that they are exceptions only to an imaginary rule, and not to the rule laid down in Marx's theory of value. It is, therefore, very sad to see how some Marxists spend their energies in making futile attempts to explain away these objections to an imaginary Marxian theory. They would spend their time with more profit to themselves and their readers if they would leave fancy theorizing and see to it that Marx's theories are not misstated; the objections would then take care of themselves.

The matter in itself is very simple. Skilled labor, whether the skill be personal with the producer, acquired by study and training, or impersonal, due to the use of better tools, is more productive. A skilled laborer produces in a given space of time more than the unskilled one. The value of a commodity being equal to the labor which it would cost to produce it, the value of the commodity will, in accordance with the laws of value already explained by us, be the amount of ordinary average labor necessary for its reproduction. For it is by this labor that society will have to reproduce it, the amount of skilled labor being by its very terms limited,

and can not, therefore, be had in sufficient quantities to reproduce the commodities as they are wanted. When this labor becomes so common that it can be had in any quantity for the purposes of production and reproduction of commodities, it ceases to be "skilled," and its product has no more value than that of any other average labor. The point to be remembered, however, is that while the measure of ordinary labor is the time during which it was expended, *the measure of the time expended on any particular given commodity is the amount of product produced by its expenditure.* In other words, the value of a commodity does not depend on the actual individual time spent in its production, but on the social time necessary for its reproduction, as was already stated at length before. When thus properly understood, the fact that the product of skilled labor is more valuable than the product of unskilled labor is no more an objection or an exception to our law of value than the fact that one man's unskilled labor produces more value than another man's unskilled labor because of a difference in the intensity of its application.

Another objection mentioned by Böhm-Bawerk, and the last to be considered by us here, is very characteristic of him and of most Marx-critics. They seem to be impregably fortified in their utter ignorance of the Marxian theories which they criticise. In their blissful ignorance they very often prate like innocent children, so that one is often at a loss as to whether they ought to be pitied or envied. Says Böhm-Bawerk, very naïvely:

"The well-known and universally admitted fact that even in the case of those goods whose exchange-value coincides on the whole with the labor expended in their production, this coincidence is not always preserved, forms another exception to the labor principle. Because of the oscillations of supply and demand, the exchange-value of even such commodities is often pushed above or below the level of value which corresponds to the amount of labor incorporated in them. The latter forms only a gravitation point, not a fixed

point of their exchange-value. It seems to me that the socialistic followers of the labor principle make too light of this objection. It is true that they state it, but they treat it as a small, passing irregularity whose presence does not in any way militate against the great 'law' of exchange-value."

The simplicity of soul displayed in this passage seems to be of a higher world than ours. To intrude upon it with gross earthly notions about accuracy and the like seems almost criminal. It would also be manifestly futile to attempt to explain the subtleties of Marxian thought to one who, after a careful study of the Marxian system, has failed to grasp the difference between Value and Price in that system. To speak of the individual or actual Price (for that is what Böhn-Bawerk refers to), which, according to Marx, is *usually* different from Value, as an *exception* to Value, reveals a constitutional inability to understand the Marxian theory which ought to be admired, if not respected, for its elemental purity. And yet this is the mind which shows the way, and sets the pace, for the hosts of Marx-criticism!

## CHAPTER VI.

### THE GREAT CONTRADICTION IN THE MARXIAN THEORY OF VALUE.

We have seen in the preceding chapters that the facts relied on by Marx-critics to "refute" Marx fail them signally when put to the test. These facts rather tally with the Marxian theory. While, however, this may be sufficient to parry the attacks of these Marx-critics and work the discomfiture of all those who should attempt to attack Marx with the weapons of "logic" and "facts of experience," this does not furnish the highest kind of *positive* proof of the correctness of the Marxian theory, the proof demanded by Marx himself and his followers. Marx and the Marxists have often been reproached for being too strict and exacting. This they undoubtedly are. But first of all, with *themselves*, Marx has often been accused of being addicted to tedious repetitions in his writing, his critics being unable to see that Marx merely approached his subject from all justifiable points of view in order to make sure that his conclusions were correct. We have already stated before that he never rested his case on purely logical deductions. These only served him as a means of grasping and explaining the *facts* which must in each case supply the proof. But in looking to the *facts* for his proofs, he was not content merely with the ordinary facts of "experience" in the sense in which his critics understand the term. Of course, these had to tally with his conclusions before he adopted them, but they merely gave him the *prima facie* proof. True to his historical ideas, the real decisive proof he sought in the facts of history, or,

rather, in the "facts of experience" considered in their historical setting and connection.

So it was with his theory of Value and Surplus-Value. Considering that the question of value lies at the very foundation of the capitalistic mode of production and distribution, he insisted that a theory of value in order to be accepted as correct, must not only be in accordance with the facts as they are, but it must furnish a key to the understanding of capitalistic *development*, to the understanding of the *facts of capitalism in their movement*. It must explain not only the statics of capitalism, but also its dynamics. A theory of surplus-value, in order to be accepted as correct must show the sources and volume of the profits of the capitalist class not only as they exist to-day, but throughout the entire historical epoch dominated by the capitalistic mode of production and distribution. It must account for the different variations in these profits, if any be discovered. It *must explain the development of profits*.

And it is here that the Marxian theory has to record its greatest triumph. In philosophy as well as in economics, it is its historical character that gives the Marxian theory its peculiar import, that forms its essence. What does the history of capitalistic profits show? If there is anything that is well established in connection with capitalistic profits, it is the tendency of the rate of profit on capital to diminish. With the development of capitalism and the *growth of the mass of capital*, the return on capital in the shape of profits is constantly becoming smaller. While the gross amount of profits obtained by the capitalist class is constantly increasing with the growth of the mass of capital, the amount of the profits in proportion to the whole capital employed, and therefore, the *rate of profit on a given amount of capital*, tends to constantly diminish. This is known in political economy as the "law of the falling rate of profit." Whence this law? How account for the falling rate of profit? No theory of value before or after Marx could give a satisfactory answer to these questions. As

Marx said of the science of political economy as he found it:—

“She saw the phenomenon (of the falling rate of profit) and was agonized by attempts at conflicting explanations. It may be said, however, that because of the great importance of this law for capitalistic production, this law forms the great mystery about the solving of which the whole science of political economy revolves ever since the days of Adam Smith. And that the difference between the different schools of the science since Adam Smith consists in the different attempts to solve this problem.”

There is no such mystery, however, when the Marxian theory of value sheds its light on the underlying basis of the capitalistic mode of production, and the laws of its development are exposed to the light of day. Not only does the Marxian theory offer a satisfactory explanation, but such explanation flows naturally and of necessity therefrom. And it is as simple and as clear as daylight.

The capital employed by a capitalist “producer” in his business is divided into two parts:—One which he spends for his place, fixtures, machinery, raw goods, etc.; and the other which he spends in paying wages to his men, in “employing labor” as it is euphoniously styled. Let us call the capital of the first category “constant” capital, and that of the second category “variable” capital. The reason for these appellations is that according to the Marxian theory, the first kind of capital remains constant, unchanged by the process of production, whereas the second kind of capital varies, changes, to be more specific, *increases* in that process. As was already shown, only labor creates value, and the capitalist’s profits come from the “surplus” value. When a capitalist receives a profit out of the process of production,—his capital increases in the operation,—that variation is due to the capital invested in paying for labor; the other part of his capital, the raw materials and other things can not vary themselves, they are merely reproduced, they remain a constant quantity. Let



us see how the development of capitalistic production affects the two parts of capital, and what bearing this has on the rate of profit.

John Brown, Sr., went into the business of manufacturing shoes in the year of Our Lord, 1850. He started out with a capital of, let us say, \$500.00, four hundred of which he spent in fixing up his plant and buying a stock of raw material necessary in the business, and the remaining one hundred he used in paying his labor. We will assume, for the sake of simplicity, that he employed ten men, paying each ten dollars per week, and that the "turn-over" in his business was such that he cashed in every week the proceeds of his manufactured product, so that he did not need to invest for labor any more than one week's wages. Let us further assume that the state of the productivity of labor was such that the labor of one of our manufacturer's men during one week created a product of the value of twenty dollars. (In addition, of course, to the value of the raw materials, etc., consumed in its production.) Under these conditions the value of the product manufactured by John Brown, weekly, will be two hundred dollars, one hundred of which will be "necessary" value (the amount paid in wages), and one hundred, "surplus" value. This will be his profit. (In order to simplify matters, we assume that he deals with his consumers direct, thus cutting out the middlemen's share of the profit.) The ratio of the "necessary" to the "surplus" value, which we will call the rate of surplus value or the rate of the exploitation of labor, is that of 1 to 1 or 100 per cent. John Brown does not figure that way, however. While he is interested in paying his men as little as possible and make them produce as much as possible, whether by foul means or fair, he is not at all interested to know what proportion the surplus-value they create bears to their wages. Good business man that he is, he wants to know what return the capital invested by him in the enterprise has brought him. He finds that his investment of five hundred dollars has netted

him a profit (consisting of the surplus-value), of one hundred dollars, or 20 per cent. per week.

On such profits John Brown's business thrived, and he accumulated a fortune. He is now resting in peace with his forefathers, and his son and heir, John Brown, Jr., now conducts the business. John Brown, Jr., upholds the traditions of the old house for making profits. But entirely new methods and processes of manufacturing shoes are now being used by him, as well as by everybody else who is in the market to compete with him. New machinery has been invented since the days when his sire started the business. This machinery is "labor-saving" to a high degree. That is to say, it increases the productivity of labor, so that one man can do by its aid the work of several men working without its aid. This machinery, however, is very costly; and its employment requires a large outlay for raw materials, since a man employs more raw materials in the same proportion as the productivity of labor increases. The "composition" of his capital,—that is to say, the proportionate shares thereof used as "constant" and "variable" capital, respectively,—is, therefore, different from the composition of his father's capital, when the old man started in business. John Brown, Jr., employs a capital of twenty thousand dollars. Of this fully nineteen thousand are used as constant capital, and only one thousand to pay for the labor employed by him. This composition of capital, because it signifies a higher stage of the development of capitalism, we will call the higher composition, and the composition of the capital at the time the business was started we will call the lower composition. Now let us see what effect did the change in the composition of the capital have on the profits of the business.

Let us assume that the firm still retains the old scale of wages. Let us also assume that owing to the introduction of the improved machinery (and allowing for the cheapening of the product in consequence), the value of the product of a man's labor has increased two-fold. What will be the

result? His variable capital amounting to one thousand dollars, John Brown now employs one hundred men. The value of the weekly product of each man is forty dollars, and the value of the aggregate weekly product, four thousand dollars. Out of this, one thousand dollars represents the necessary value and three thousand is surplus value. His profits have increased enormously, but yet not in proportion to his capital. That is to say, while the gross amount of his profits is enormous, the *rate* of his profits, the percentage return of each dollar of capital, is considerably smaller. A profit of three thousand dollars on a capital of twenty thousand makes only fifteen per cent., a decrease of five per cent. as compared with the older days.

The different ways in which the business of the older and the younger John Brown is organized, and the results flowing from the different organizations of the business, are typical of the development of capitalistic production in general, and correctly exemplify it. It shows the *fact* of the falling rate of profit, and also gives the *explanation* therefor. The development of capitalist production consisting in the increased productivity of labor, by reason of which the composition of capital becomes higher, this development *must* necessarily tend to lower the *rate* of interest or profit; for the profit is *obtained* only from the variable part of capital, which is constantly being diminished as compared with the constant part, whereas it is *figured* on the whole capital.

Our example, does not, however, show the full effect of the change of the composition of capital on the profit rate. When left to itself, the change in the composition of capital has a tendency to lower the rate of profit much more than appears from our example. The reason for it is, that in our example we did not present the workings of this law in its purity, by changing the conditions of the problem. In the first instance we represented the workmen as receiving one-half of the value they produced, whereas in the second we assumed that they received only one-quarter.

Had we left the conditions of the problem the same in the second instance as in the first, that is, one-half the labor was necessary and one-half surplus, we would have had in the second instance with even a somewhat lower composition of capital than that assumed by us, say of eighteen thousand constant and two thousand variable,—a rate of interest of only ten per cent. instead of fifteen per cent. This would show the tendency in its purity. But it would not show the actual facts of capitalistic development. Our example does that—in outline, of course. For, with the higher composition of capital, and the greater productivity of labor which it represents, grows the surplus part of the value produced, grows the rate of exploitation of labor. And this quite irrespective of the fact whether the workingmen are receiving poorer pay or not, or whether their standard of living is becoming lower or not. They may even receive in *real* wages, that is, in products, more than they received before, and still the rate of exploitation will grow. For with the productivity of labor commodities become cheaper, so that for the same amount of money received by them as wages the workingmen may buy a larger amount of the products produced by them, and yet this amount will necessarily become constantly smaller in proportion to the amount retained by the capitalist as surplus-product. In our example we have allowed for the cheapening effect of the productivity of labor on commodities, otherwise the increase in the value of the product would have to be more than twice with such a high composition of capital. The products consumed by them being cheaper, the workingmen of John Brown, Jr., will get more products for their ten dollars per week than did their forefathers who worked for John Brown, Sr., and yet their share of the product produced will be one-half of that of their forefathers, and the rate of exploitation of labor will have increased threefold since the times of John Brown, Sr. This is what actually happens in the course of the development of capitalist production.

The greater productivity of labor resulting from the introduction of improved machinery gives the capitalists the possibility of increasing the rate of exploitation of labor, and they are never too slow to grasp the opportunity. This increases the *mass* of surplus-value, and consequently also the rate of profit. We, therefore, have two cross tendencies:—first, the tendency to lower the rate of profit by raising the composition of capital, thus diminishing, proportionately, the amount of variable capital which alone produces surplus-value; and second, to increase the rate of profit by increasing the rate of exploitation and thereby increasing that part of the product produced by the variable capital employed which goes to the capitalist as his surplus or profit. As the variable part of capital diminishes in proportion, the rate of exploitation grows. Of these two tendencies, however, the first is necessarily stronger, and the second can not overcome it for the simple reason that a part can not be greater than, nor even as great as, the whole. No matter to what proportions the rate of exploitation should grow, it can never absorb the whole product. In order that there should be a surplus-product or value, there must necessarily be a necessary product or value. Any diminution, therefore, of the proportionate part of the capital employed by the capitalists as variable, must necessarily lead to some diminution of the rate profit, be it ever so small. *Hence, the resultant tendency of a falling rate of profit.* The actual extent of the fall will depend on the co-operation of a number of factors, no mean part being played by the success which the capitalists will meet in their efforts to raise the rate of exploitation of labor in order to counterbalance the effects of the change in the composition of their capital.

This question of the rate of profits brings us to the so-called Great Contradiction in the Marxian theory, and to the question of the relation between the first and the third volumes of Capital. Before, however, entering upon the discussion of this question, the present writer desires to

state that he intends in a later work to put before the public some matters which will, in his opinion, put the whole subject in a new light. Those matters are, however, not specifically treated by Marx, and as the present work is merely intended to present the Marxian theory as *stated* by Marx, and the criticism of the theory as so stated, no reference will be made to them here, except to say that their net result does not in any way change the Marxian theory as here outlined, but amplifies it.

The Contradiction was first formulated and placed before the public in a somewhat sensational manner by Frederick Engels himself. In his preface to the second volume of *Capital*, published in 1884, after the death of Karl Marx, Engels challenged those Marxian critics of that day who had declared that Marx said nothing that was new, and that all the wisdom contained in *Capital* had already been promulgated before by Rodbertus (from whom Marx was supposed by them to have borrowed his theory of value), to explain "how an equal average rate of profit can and must be formed, not only without injury to the law of value, but really by reason thereof." He argued that if Marx said nothing new and his theory of value is no different than that of Rodbertus, these critics ought to be able to do that by the aid of Rodbertus' writings as supplemented by Marx's. This had the effect of setting a host of men to solving the problem. Most of those who attempted to accomplish the task were, however, not the Marx-critics to whom the challenge was directed, but disciples of Marx who went about the business not on the basis of Rodbertus' writings, which had very little to offer towards the solution of the problem, but on the basis of the laws of value as laid down by Marx in the first volume of *Capital*. It was the ambition of these writers to forestall the solution which Engels promised would be given by Marx himself in the third volume. In his preface to the third volume, published by him in 1894, Engels reviews the various efforts at solving this problem, and comes to the conclusion that

none of those who attempted it gave the correct solution, although some of them came pretty near it, notably Dr. Conrad Schmidt in his work on the subject which appeared in 1889. The correct solution, Engels says, is contained only in the third volume of Capital itself.

The solution of this problem, as given by Marx himself, in the third volume of Capital, and which is supposed to explain the great contradiction, is as follows:—

Assuming that the rate of exploitation of labor is the same in all the spheres of production in society, producing an equal rate of surplus-value in all these spheres; that the capitals employed in the different spheres of production are of different degrees of composition, that is, of different character as to their division into constant and variable capital; and that nevertheless the rate of profit is equal in all the spheres of production, the problem is:—how does this come about, if the laws of value are as laid down by Marx. If two capitals, one whose composition is 90 c. plus 10 v. (90 per cent. constant and 10 per cent. variable), and one whose composition is 10 c. and 90 v. (10 per cent. constant and 90 per cent. variable), the rate of exploitation being the same, produce the same rate of surplus-value or profit, it is quite evident that the surplus-value, and therefore, all value, must have some source entirely different from labor. But that is just what is claimed by all political economists. It is assumed to be an established fact that the rate of profits is equal at any given time in all spheres of production or circulation of commodities, no matter what the degree of the composition of the capital employed in their production. In other words, that at any given time equal capitals will give equal returns, irrespective of the particular branch of industry in which they are employed and of the composition of the capital employed in that branch. But, says Marx, the supposed fact that equal amounts of capital bring equal returns, no matter how employed, gives no indication whatever as to the source of this profit. This, however, is really where the

contradiction is supposed to lie. It is a contradiction of the law of value that equal amounts of capital *produce* the same amount of surplus-value irrespective of their composition. But it is no contradiction of the law of value that possessors of equal amounts of capital *receive* equal profits if it could be shown that the two capitals have produced different amounts of surplus-value, but that for some reasons, compatible with the law of value, part of the surplus produced by the capital of lower composition was transferred to the owner of the capital with a higher composition. This, says Marx, is just what actually happens wherever the law of equal return comes to the surface.

In actual life capitals of different organic composition *produce* different rates of surplus-value commensurate with the amounts of variable capital contained in them. But we have already seen before that the whole surplus-value produced by any given capital is not retained by the owner of that capital as profit on his capital. We have seen that, by reason of the social nature of capitalistic production and of the category of exchange-value, this surplus-value is distributed among a number of other capitalists, who are concerned in bringing the produced commodity to its social destination through the circulation process. All the capitals employed in the course of the life-career of the commodity share in the surplus-value created in its production, and their share is proportionate to their size, the rate of profit for each being arrived at by a division of the surplus-value by the aggregate amount of capital used in the production and circulation of the commodity. This is accomplished through the laws of supply and demand by means of the category which we have called Price of Production, and at which commodities are actually sold at certain stages of their existence instead of at their values.

We have seen already that it is in accordance with the laws of value as understood by us that commodities are not always sold at their values; are, in fact, habitually sold at prices other than their values, by reason of and under cer-



tain economic conditions; and that a capitalist may, and under certain conditions usually does, receive as profits on his capital surplus-value created by some capital other than his own. The price of production at which commodities are sold at a certain stage of their existence is always below their value; and the capitalists engaged in the circulation of commodities exclusively, the merchants, get as profits on their capitals surplus-value not produced by them but merely *realized* by them. The capitalists who produced this surplus-value are forced to divide up with them by the very economic conditions which permit them to retain their own proportionate share.

This principle, which we have heretofore examined with relation only to one sphere of production, must be extended to all the spheres of production wherein the law of equal return prevails. Where the law of equal return prevails in spheres of production wherein the capital employed is of different organic compositions, the prices at which the commodities are finally sold are not their actual values, but a sort of modified Prices of Production which *may* be either above or below their value, and which *will* be above their value in the branches of industry with a capital whose organic composition is above the average, and below their value in the branches of industry with a capital whose organic composition is below the average. Just as in the single commodity the surplus-value produced by one capital had to be distributed among all the capitals engaged in its production and circulation, so here the various amounts of surplus-value produced in the different spheres of production must be distributed ratably among the whole social capital or that part thereof which enters into the equalization process, that is, of those branches of industry where the law of equal return prevails. The whole social capital is regarded as one, and the whole amount of surplus-value produced in the different spheres of production is distributed ratably among the different individual capitals, by the formation of the price of production, and the goods in

each branch of industry being sold according to that price of production which will consist of the value of its cost of production together with a share of profit out of the general fund of surplus-value in proportion to the size of the capital employed in its production and circulation. By means of this price of production the excess of surplus-value above the average rate produced in one sphere of production by reason of the low organic composition of the capital employed therein, will be transferred to that sphere of production wherein the amount of surplus-value produced is below the average, by reason of the high organic composition of its capital. In those branches of industry where the organic composition of capital corresponds with the average or social composition of capital, commodities will be sold at their values, their prices of production will coincide with their values; in those branches whose organic composition is above the average, the prices of production will be above their values in proportion to the composition of their capital; and in the branches whose composition is below the average the prices of production will be proportionately below their values.

The appearance in 1894 of the third volume of *Capital* created a sensation in interested circles. While it does not stand in any direct relation to the Revisionist movement, it can hardly be denied that it made its formal argumentation more plausible. The solution of the Great Contradiction contained in the third volume, and the rest of the matter therein contained and intimately connected with this solution, opened the door to no end of discussion as to the relation between the first and third volumes of *Capital*. So that the problem to many has turned into the question how to reconcile the supposedly opposed doctrines taught in these two volumes of Marx's life work. The Great Contradiction, in the opinion of many, was not solved, but extended so as to embrace the whole Marxian theory. This was confidently asserted by all the opponents of Marxism, who drew breath. It was heralded from one

end of their camp to the other, and it took its classic form in Böhm-Bawerk's, "Karl Marx and the Close of his System." The opponents of Marx were not, however, alone in this opinion. The discussion which has continued until the present day has shown that a good many Marxists, of different shades of orthodoxy, shared in this view. So much so, that a Russian Marxist of some prominence and of strict orthodox profession of faith, being unable to reconcile the doctrines laid down in the two volumes, respectively, denied, in his desperation, the genuineness of the "unfortunate" third volume! He claimed that because the third volume was published long after his death, and was compiled from unfinished manuscripts and random notes, Marx appears therein as saying things which he really never intended to say and which are in crass contradiction to his real views, which are contained only in the first volume. Engels' preface to the third volume is sufficient to show the absurdity of this last assertion. So that there was the great contradiction, which made plausible the assertion that Marx completely *abandoned* his own theory of value, laid down by him in the first volume, and returned to the theory of the cost of production, of the economists dubbed by him "vulgar." The half-and-half Marxists, à la Bernstein, would not go so far (timidity and eclecticism being their specialty), and they tried to minimize the discrepancies between the first and third volumes, claiming that Marx did not abandon his theory of value as laid down in the first volume, but merely *modified* it, on second thought, in the natural course of the *evolution* of his theory. Modification by evolution, or evolution in modification became their favorite theme.

In discussing Marx's philosophico-historic views we already had occasion to refer to this favorite theme of Revisionism. The burden of the song is that Marx's theoretical ideas had passed through an evolutionary process, the main tendency of which was from "unscientific," hard and fast monistic dogmas, at the outset, to mild and loose

eclectic "science" at the conclusion. This they applied equally, and with equal justification, to the whole Marxian theoretical system, to his historico-philosophic and his economic theories alike, although they failed to grasp the inner relation between these theories. Their lack of discrimination proved to be their undoing. If they had stuck to Marx's historico-philosophic views alone, they might perhaps have been able to hold their ground, as Marx's views on the subject are not contained in any treatise, are strewn over the whole mass of his writings in a more or less fragmentary condition, and it requires an intimate acquaintance with his theories to see the improbability of this claim. Not so with his economic theories. He went into elaborate discussions of all phases of the subject, and the dates of the different manuscripts, with a few unimportant exceptions, are well known. And these testify loudly to the whole world to the absurdity of these assertions. It appears that most of the third volume, and particularly those portions of it which are supposed to modify the first volume, were actually written down by Marx in its present form *before the publication of the first volume!* To speak in the face of that of a *modification*, by Marx, in the third volume of the doctrines laid down by him in the first is too palpable an incongruity to merit any particular attention. So, and even more so, would be the claim of an intentional *abandonment* in the third volume of the theory of value of the first volume in favor of some other theory. We could then well afford to let the matter rest where it is. It is not so, however, with the question of a contradiction between the two volumes. If there really is such a contradiction, and if the doctrine of the third volume is a *virtual* abandonment of the labor theory of value, it makes, of course, very little difference when the different portions of Marx's book were written, or what he thought of one portion when writing the other, except, of course, as an interesting study of a great aberration of an extraordinary mind.

Professor Werner Sombart, the noted German economist,

best known to English readers through his graceful study "Socialism in the 19th Century," opened the discussion on the subject soon after the appearance of the third volume in an essay entitled, "Some Criticism of the Economic System of Karl Marx."<sup>1</sup> In the introductory remarks of that essay Professor Sombart observes that Marx was a "most misunderstood author," and that an intelligent statement of his assertions was the highest duty of a reviewer of his work. Such a statement he undertakes to give, and goes about it very conscientiously. It must be stated, however, that notwithstanding his conscientious efforts and considerable acumen the execution fell short of the design. His conclusion, therefore, that there was no contradiction between the first and third volume can not be accepted as final.

According to Sombart, the theory laid down in the third volume of Capital is not much different from the traditional theory of the cost of production. This does not conflict, however, with the theory of value expounded in the first volume, for the simple reason that the labor theory of value was never intended by Marx to represent the actual facts, or, as he puts it, "the (Marxian) *value does not reveal itself in the exchange relation* of the capitalistically-produced commodities." Nor does it play any part in the distribution of the yearly product of society. It has no place in real life. Its office is merely that of an aid to our thinking, by means of which we can understand the economic phenomena, and its place is in the mental operations of the economic theorist. In short, "*it is not an empirical but a mental fact.*" Value, thus banished from economic life into the realms of pure thought, can no longer come into conflict with the gross facts of this life. Its existence is none the less real, at least to the mind of the German scholar who must have been educated on the writings of the great German idealist philosophers.

Aside from the questionable value of such "value," the

<sup>1</sup> Archiv für Soziale Gesetzgebung und Statistik, Vol. VII, No. 4.

chief trouble with Sombart's conception of the Marxian "value" is,—that it is not Marxian. Marx never dreamt of banishing his "value" from real life, from the facts of actual, every-day, economic life. He not only insisted that his theory of value had an application to the actual economic life of capitalist society, but claimed that the laws of value as laid down by him *controlled* that life and *prescribed the course of its development*. He claimed that while Production Prices, and prices in general differed from the values of commodities, they were always *governed* by the laws of value and were dictated, normally, and in the last instance, by these laws. That all declination of these prices from the actual values, except accidental and temporary, are governed by the very laws of value which are supposed to be infringed thereby. Truly, Marx was "a most misunderstood author."

We, therefore, agree for once, with Böhm-Bawerk, that, whatever the merits of Sombart's conception of value, it does not in any way remove the contradiction in the Marxian theory of value as Marx stated it. Assuming, of course, that there is such a contradiction, if Marx intended his theory to represent the actual course of events of capitalistic production and distribution. That there is such a contradiction is assumed, as we have seen, even by some orthodox Marxists, and Marx-critics do not tire of proclaiming the fact. Says Böhm-Bawerk:

"In what relation does this doctrine of the third volume stand to the celebrated law of value of the first volume? Does it contain the solution of the seeming contradiction looked for with so much anxiety? Does it prove 'how not only without contradicting the law of value, but even by virtue of it, an equal average rate of profit can and must be created?' Does it not rather contain the exact opposite of such a proof, viz., the statement of an actual, irreconcilable contradiction, and does it not prove that the equal average rate of profit can only manifest itself if, and because, the alleged law of value does not hold good?"

"I see here no explanation and reconciliation of a contradiction, but the contradiction itself. Marx's third volume contradicts the first. The theory of the average rate of profit and of the price of production cannot be reconciled with the theory of value. This is the impression which must, I believe, be received by every logical thinker. And it seems to have been very generally accepted. Loria, in his lively and picturesque style, states that he feels himself forced to the 'harsh but just judgment' that Marx, 'instead of a solution has presented a mystification.' He sees in the publication of the third volume 'the Russian campaign' of the Marxian system, its 'complete theoretic bankruptcy,' a 'scientific suicide,' 'the most explicit surrender of his own teaching,' and the 'full and complete adherence to the most orthodox doctrine of the hated economists.'"

Böhm-Bawerk then quotes with approval the following passage from Sombart: "Most of them (the readers of the third volume) will not be inclined to regard 'the solution' of 'the puzzle of the average rate of profit' as a 'solution;' they will think that the knot has been cut, and by no means untied. For, when suddenly out of the depths emerges a 'quite ordinary' theory of cost of production, it means that the celebrated doctrine of value has come to grief. For, if I have in the end to explain the profits by the cost of production, wherefore the whole cumbersome apparatus of the theories of value and surplus-value?"

Slonimski says: "Contrary to all expectations the theory of surplus-value is repeatedly asserted (in the third volume); in reality, however, it is denied by its author and replaced by the old theory with all the familiar elaborations on the cost of production as the only regulators of value. The equality of profits is derived from the phantastic assumption that the capitalists amicably divide among themselves the incomes of the different undertakings, by equalizing the sums of surplus-value which they separately drew

from wage-labor, and that this is accomplished either by way of brotherly arrangement or through competition. As to the special surplus-value for which the rival capitalists fight so mercilessly, why that is lost sight of and plays no part either in the income of the individual capitalist, or in the establishment of the rate of profits or in the formation of prices.

“After Marx has led us in the course of two volumes through an elaborate analysis by which he sought to prove that surplus-value is produced by hired human labor-power, he turns a somersault and admits that all his laws and formulas are in direct conflict with reality, and cannot be brought into harmony. That surplus-value in the form of profits is yielded by every productive capital as such in equal amount, even though it be used in such a manner that *no wage-laborers are employed thereby*. Instead, therefore, of surplus-value, which we put to the credit of unpaid labor appropriated by the capitalists, we are confronted with the average rate of profits, which is conditioned neither upon the number of workmen nor upon the degree of their exploitation, nor is it influenced by either.”

And Masaryk declares: “*De facto* we have in the third volume the ordinary theory of cost of production, and the law of supply and demand plays the decisive part.”

“Bernstein”—says he—“admits the breach between the third and first volumes. Marx has certainly modified his theory. The theory of value of the first volume is incomplete, and therefore vulnerable, without the elaborations of the third volume. Bernstein admits that the first volume offers for the real economic relations a ‘sea of generalities without any shore,’ and that the determination of value by the quantity of labor is inadequate; a more specific measure is necessary. Commodities are exchanged not at their value but at their cost of production, the exchange-value of goods is directly determined by competition of capital, and only indirectly by the law of value. I believe that Bernstein correctly judges the Marxian teaching. The



third volume speaks only too plainly against the first." And he adds:

"These expressions (of the third volume) show the *general change* in Marx's views. *We have seen* how Marx modified in the third volume his *older* definition of historic materialism—the whole third volume makes also by its tone a different impression than the first. The first volume is not so ripe.... Bernstein attempts another explanation of the contradiction between the *older* and the *newer* doctrines, which contradiction, as we have seen, he unqualifiedly admits."

Yes, "we have seen." We have seen how absurd it is to speak of a modification of the *older unripe* doctrine by the *newer* and riper doctrine, when the supposed older doctrine was formulated *after* the supposedly new one.... And this, as Masaryk himself says, applies to *all* of Marx's views, whether historico-philosophic or economic. Yet, its evident absurdity will not deter Marx-critics, particularly of the milder and revisionist sort, from continually repeating this statement.

This, however, by the way. What does interest us just now is the relation of the third to the first volume, incident to Marx's solution of the "Great Contradiction." Singularly enough, most of the Marx-critics are content with merely stating *ex cathedra* their conclusions or assertions that Marx has, in the third volume, "modified" or "abandoned" the theory stated by him in the first volume, that he contradicts it, that he has adopted a new theory, without giving themselves any particular pains to show the reader just how they arrived at these conclusions, or what is the basis of their assertions, except in the most general way. Always excepting the methodical Böhm-Bawerk, who, besides his general remarks, has also particular objections, separately stated and numbered. We shall pay our respects to them in due time, if there is anything left of them after our general discussion.

Before entering, however, upon the discussion of the

theoretical questions involved, we must call attention to the circumstance that the *facts* themselves are not in dispute here, but only their interpretation. Notwithstanding the apparently unanimous verdict of the critics that the Marxian theory is on this point "in direct conflict with reality" and "opposed to the facts," there is really no question here of facts, but merely of their interpretation. The phenomenon itself which, as Marx asserts, brings the Marxian law of value in harmony with the law of equal rate of profit, that is to say: the alleged fact that the products of labor in spheres of production with a higher organic composition of capital are sold at higher prices than the products of labor in spheres with a lower composition of capital, this fact itself, we say, is not disputed by the Marx-critics. It is only as to the explanation of this fact that they differ from Marx. Marx's explanation is based, in the main, on the fact, undisputed by his critics, that the same amount of labor results in a product which will be sold for a higher or lower price according to the higher or lower organic composition of capital in the sphere in which it was employed. The difference between Marx and his opponents is *as to the reason* for this alleged fact. Marx says the reason is that in the spheres with a higher composition of capital commodities are sold above their value and in spheres with a lower composition of capital below their value; and that the additional value included in the higher price of commodities produced in the first sphere is created in the other sphere and is transferred to their possessor by the very sale of commodities produced in the second sphere below their value. With this reasoning his critics disagree, as they undoubtedly have a right to. But they have no right whatever to hide the circumstance that it is *their reasoning* that is opposed to Marx and not the facts. It is a question of logic and not of fact.

Now, as to the logic of the matter. That there must have been some very poor logic used by somebody can easily be seen from the fact that all Marx-critics who agree that

Marx in his "riper" judgment abandoned his theory of value, also agree that even the Marx of the riper judgment never knew that he was propounding in the third volume an old and commonplace theory and was abandoning his own theory, on the exposition of which he wasted the entire first and second volumes of his life work.

In what does this abandonment consist according to the Marx-critics? Stripped of their verbiage the statements of these critics amount to this: In the first volume Marx said (1) that the value of a commodity depends on the amount of labor necessary for its (re)production, and that such value was the point about which its price will oscillate; (2) that the profits of the capitalist, therefore, come from the amount of surplus-value created by *his* workingmen; and (3) that the cost of production has nothing to do with the value or price of a commodity or the profits of the capitalists. In the third volume, on the other hand, he admits that (1) the price of a commodity may be, and usually is, permanently fixed at, or oscillates about, a point which is different from its value as measured by the amount of labor necessary for its (re)production; (2) that the amount of profits which a capitalist obtains from his capital does not depend upon the amount of surplus-value produced by his own workingmen; and (3) that the old theory of cost of production as to value, price and profit holds good.

We will discuss the last proposition first, for the reason that it may throw some light on the whole subject.

Marx says nowhere in the third volume that the cost of production of a commodity determines either its value or its price, except to say that the old values which go into its production in the shape of raw material, etc., are reproduced in it and form part of its value and consequently of its price, a proposition which nobody will claim is an innovation of the third volume. Wherein does the "quite ordinary" theory of cost of production of the third volume then consist? Evidently in the theory of the Price of Pro-

duction developed in the third volume. But has the price of production anything to do with the cost of production? Have not the learned critics been misled by the similarity of terms? Let us see. What is the "ordinary" theory of cost of production? That the value of a commodity is equal to the cost of its production, plus the average rate of profit on the capital invested in its production. Marx's Price of Production consists of the costs of production (that is, of the *value* of the different ingredients which go into the production) plus the average rate of profit on the capital invested in the production process. The two things look so much alike to the uninitiated that one is not surprised to hear Sombart complain that if that is what we were to come to in the end, wherefore the "cumbrous apparatus" of value and surplus-value?

Let us examine the matter a little closer, however. A close examination will show, in the first place, that the Marxian cost of production which forms a part of the Price of Production, is determined by its value according to the labor theory of value, whereas the "ordinary" theory of cost of production has no such determining element. As a result, the "ordinary" cost of production theory revolves in a vicious circle: The value of a commodity is determined by the cost of its production, the cost of its production is determined by the value of the commodities which go into its production, the value of these commodities is determined by the cost of *their production*, and so on, and so forth, ad infinitum. In other words, the "ordinary theory of cost of production can no more explain either the value or the price of commodities than a man can pull himself out of the mire by his own bootstraps.

This is not, however, the principal point. The "cumbrous apparatus" of the Marxian theory of value and surplus-value was necessary in order to attain the principal object of the science of political economy, the discovery of the laws governing the production and distribution of profits in the capitalist system. We have already dwelt on this

point at length in a preceding chapter. And this "cumbersome apparatus" is still necessary, and is still the only means of attaining this object of political economy, all the Marx-critics to the contrary notwithstanding. Neither the ordinary nor any extra-ordinary theory of cost of production even as much as attempts to solve this problem, which is *the problem* of political economy. The theory of cost of production, which even the "Marxist" Sombart places on a level with the Marxian theory, tells us gravely that the value of a commodity is equal to the cost of its production plus "the average rate of profit." But what is this "average rate of profit"? By what is it determined? Where do profits, whether average or non-average, come from?

In vain will the inquirer look to the theory of cost of production for an answer. But these questions are all answered by the Marxian theory, which our astute critics evidently did not begin to understand. The first volume shows the genesis and general laws of profits; the second volume shows the distribution of profits between the different capitalists, instrumental in the production and distribution of commodities, and the influence of the circulation process on profits; and the third volume shows the reciprocal influences of the different spheres of production and distribution of commodities in the whole capitalist system, and the mode of distribution of all the profits netted to the capitalist class among its different members, *the formation of the average rate of profit.*

By reason of the formation of an average rate of profits, the profit of the individual capitalist does not depend on the amount of surplus-value produced by his own workingmen. This, as we have seen, is the second point on which the third volume is supposed to conflict with the earlier volumes. This objection rests on the grossest misunderstanding of the first and second volumes. Marx never said, and could never have said, that every individual capitalist's profits consist of the surplus-value created by *his own*

workingmen, or that every capitalist pockets *all* the surplus-value produced by his workingmen. Such a statement would be absolutely repugnant to the spirit of the Marxian doctrine as laid down in the *first* volume. The cardinal difference between the Marxian theory of profits and the theories which preceded it, is that according to Marx all profits of the capitalist class are derived from the process of production. It is with the exhaustive elaboration of this doctrine that the first volume is chiefly concerned, and this is supplemented in the second volume by showing the negative implied thereby,—that no profits are created in the circulation process. But Marx certainly knew that profits *are made* by the capitalists engaged in the circulation process. It was this very knowledge that impelled him to write so exhaustively in order to prove that while these capitalists *derive* their profits from the circulation process, they merely *realize* during this process, and by means thereof, the profits which are created in the form of surplus-values during the process of production.

Of course, this could only happen if some of the capitalists receive profits *not created* in the form of surplus-value *by their own workingmen*; nay, notwithstanding the fact that their workingmen created no surplus-value whatever, or that they employed no workingmen at all. This, again, could only happen if the capitalists engaged in the production process did not retain all the surplus-value created by their workingmen, but divided them with the capitalists engaged in the circulation process. It is with the explanation of these facts that the first and second volumes are filled. Yet, some Marx-critics evidently missed even this!

This disposes of the proposition placed first by us because of the prominence given to it by Marx-critics. How could all the surplus-value be produced in the production process of commodities and yet part of it realized in the circulation process, if goods are actually sold at their values? If the value of commodities is the point about which their prices oscillate at all stages of their existence, all the surplus-

value contained in them must evidently be realized as soon as they are sold by the producer, and unless some new value attaches to them in the circulation process, the capitalist engaged in that process cannot possibly make any profit. Here was a contradiction greater than any that could result from the supposed law of a common rate of profits, assuming that Marx ever did say that the price of commodities will always oscillate about their value. The "solution" of this "Great Contradiction" is that Marx, as we have repeatedly pointed out, never did say any such thing, and the reading of such a thing into Marx is simply preposterous. A careful reading of the first and second volumes of *Capital* clearly shows that the price of commodities is *governed* by their value, but that it need not conform to it, nor even always oscillate about it. Quite to the contrary. Under given conditions, which are necessary at certain stages of the existence of every commodity, its price will remain constantly away from its value. Always, however, subject to the general laws of value, and by reason of the laws of value. The price formed under these conditions is the Price of Production.

It is generally assumed that the category of the Price of Production is an innovation introduced by Marx in the third volume in an effort to solve the contradiction between the law of value and the law of equal return. This is a mistake. While the term "Price of Production" is first used in the third volume (because there only are all the conditions under which it forms discussed for the first time) the principle itself is contained in the earlier volumes, and has absolutely nothing to do with the particular problem presented by the question of the equal rate of profits. When Marx came to treat of that problem he simply applied to it a principle which already was part of his system as expounded by him in the first and second volumes. The only difference between the category of Price and Production as implied in the first and second volumes and as expressed in the third volume is this: The condi-

tions for the formation of this price discussed in the first two volumes were such as made it always below the value of commodities, whereas the conditions for its formation discussed in the third volume make it possible for the price of production to be either below or above the value of the commodity. But whether above or below value, whether formed by reason of the average rate of profit or under the conditions described in the first and second volumes, or both, the price of production is governed by the value of the commodity, and exists by reason thereof and in conformity to its laws. In other words, notwithstanding the fact that prices may, in the capitalist system of production and distribution, be permanently at, or oscillate about, a point different from the value of commodities, the *formation* of these prices, *and*, consequently, *their movement*, is *governed by the laws of value.*

This ought to be plain to all Marx students. But the trouble with Marx-critics, in the economic branch of his theory, as with those who treat of his historico-philosophic ideas, is, that they cannot distinguish between the individual and social element and cannot see things in their motion. Because the profit of an individual capitalist does not depend merely on the amount of surplus-value produced by his workingmen, they conclude that the theory of surplus-value does not explain the profits which the capitalists get under the capitalist system. And because the price of some commodities may *be* more or less permanently above or below their value, they assert that the law of value governing the formation and movement of prices in the capitalist system is incorrect. They cannot see that before the capitalist could get his profits at any given *general* rate, that rate must have been established in society according to some law; and that before the price could *be* at a certain point, it had to be *put* there by some social law of value. And they cannot therefore see how the individual and statical cases, while apparently deviating from the general laws in their movement, are actually *governed* by them.



To borrow an example from another science, and an "exact" one at that. The critics of the Marxian law of value are exactly in the same situation as would be the critic of the law of gravity, who would declare that law to be false for the reason that bodies do not fall in actual experience in accordance with the rules formulated by it. Indeed, such a critic would be in a better position than the Marx-critics. For, while according to the laws of gravity falling bodies acquire an acceleration of 981 centimeters per second, and that irrespective of their nature, form or size, the "facts of experience" prove conclusively that not one body in a million actually falls at that rate, and any child of some intelligence will tell you that the nature, the form, and the size of a falling object, make all the world of difference in the velocity which it can acquire. Yet, the law of gravity is correct when properly understood. And the Marxian law of value is no less correct. But it requires a greater intelligence than that usually displayed by intelligent children, observers of "facts of experience," and some Marx-critics, to understand it properly. Therein lies the whole trouble.

## CHAPTER VII.

### ECONOMIC CONTRADICTIONS AND THE PASSING OF CAPITALISM.

In the preceding chapters we have endeavored to show the purpose of Marx's inquiry into the laws of exchange-value, and how those laws furnish the key to the understanding of the *workings* of the capitalist system of production and distribution.

We have examined the capitalist system *as it is*, without going into the question of its origin, except to note the fact that it had an historic origin, that is to say, that it is not eternal or even immemorial in its existence but is a historical phenomenon having had its origin within the recorded memory of men.

We have examined some of the tendencies of its development, but only within its confines. We have examined some of the tendencies in the development and distribution of the mass of surplus-value produced *in* the capitalist system while it lasts. The question of its lasting, as to its extent and form, we have not touched upon. We might of course say, *a priori*, that since the capitalist system is only a historic phenomenon it will certainly not last forever. While this is true, it is of no importance whatsoever, unless we can say with some degree of certainty that the passing of this system is of such proximity that its end can be seen, and this is only possible if its end is so near that we can discern its form, or rather the form of the system which is to succeed and supplant it. This again can only be determined, if at all, from an examination of the tendencies of the capitalist system, and the laws governing *it*, followed out to their ultimate and logical results so as to see

whether they lead beyond the capitalist system itself. And if so, whither are we drifting?

Should a careful and exhaustive examination of the tendencies of the capitalist system fail to lead to any beyond, then we must accept the capitalist system as unlimited in duration for all practical purposes. For the social system which is to succeed the capitalist form of society, must be born and developed within the bowels of capitalism, and it will come into existence only after the passing of capitalism shall come about as the necessary and logical result of the full development of the laws of its own being. And it will be long before the end of the old system, and the birth of the new one will come, that the signs of decaying old age and of the new germs of life will manifest themselves to the intelligent observer.

The examination which Marx made of the capitalist system has not only revealed to him the laws which govern the production and distribution of wealth within the system, but also the *historical* tendencies of its development which show its place in history with reference to its origin as well as its passing. His work, "Capital," is therefore not only an explanation of the workings of the capitalist system, but also an historical estimate, an appreciation thereof. The sub-title of the work, "A Critique of Political Economy," refers not so much to the theories of the political economists who preceded him with reference to the explanation of the actual workings of the capitalist system, as to their failure to appreciate the tendencies and the laws of capitalism which will lead to its ultimate passing away. According to Marx, the capitalist system of production and distribution is so full of inherent contradictions, that its own development, if the laws of its own existence are permitted to freely assert themselves, *will lead* to its ultimate and speedy destruction. For, not only are the laws of capitalism inherently contradictory, but the development of capitalism has already reached that stage where the contradictions upon which it rests make themselves felt to

its own detriment, and the forces and elements which are to work its destruction and supplant it are maturing rapidly before our very eyes. So does the system which is to take the place of capitalism take definite shape and outline, so that its general form and appearance stand clearly before our vision inscribed: *Socialism*.

Before proceeding, however, any further with this examination, our attention is called to a question which might interfere with the progress of our inquiry unless answered right here. There is perhaps no question which leads to as much discussion, and as contradictory opinions, since the advent of Revisionism, as the question of the relation between the theory of value and socialism in the Marxian theoretical system. The cleavage of opinion is in the main along the lines of orthodox and revisionist Marxism, the former claiming an intimate relation and interdependence between these parts of the Marxian theory, and the latter denying it. This alignment on the present question is not very strict, however; and absolutely irreconcilable opinions on this subject are held by Marx-critics belonging to the same camp. A glance into the discussion of this subject will again reveal the almost hopeless state of ignorance of the Marxian theory which prevails even among the ablest of Marx-critics.

According to Tugan-Baranowsky<sup>1</sup> (who agrees in this respect with most orthodox Marxists) Marx based his socialism entirely on what he thought to be the laws of capitalistic development resulting from the peculiarities of the law of value which forms its keynote. Oppenheimer and Simkhowitch,<sup>2</sup> however, and a host of others, insist that Marx's theory of value has nothing whatever to do with his socialism.

<sup>1</sup> Michael Tugan-Baranowsky, *Theoretische Grundlagen des Marxismus*. Leipzig, 1905. *Der Zusammenbruch der Kapitalistischen Wirtschaftsordnung*. In *Archiv für Sozialwissenschaft und Sozialpolitik*. Vol. 19.

<sup>2</sup> Franz Oppenheimer, *Das Grundgesetz der Marx'schen Gesellschaftslehre*. Berlin, 1903. V. G. Simkhowitch, *Die Krisis der Sozialdemokratie*. In *Jahrbücher für Nationalökonomie und Statistik* (1899).

Curiously enough, Tugan-Baranowsky on the one hand and Oppenheimer and Simkhowitch on the other, all claim one and the same passage in Engels as authority in support of their respective positions; which adds no little to the bewilderment of the simple-minded reader. The treatment which this particular passage from Engels has received, and the uses to which it has been put, is very characteristic of up-to-date Marx-criticism, particularly of the Revisionist brand: Detached passages, sentences and phrases, from Marx and Engels are bandied about without the slightest attention being paid to the particular context or connection in which they were used, thus often making them yield an entirely different meaning from that intended by the author. The result is that everybody proves by Marx and Engels themselves whatever opinions he pleases to ascribe to them, a most fruitful field is provided for the adherents of the theory of evolution in Marxism, and a plentiful harvest is assured to the gatherer of Marxian contradictions.

V. G. Simkhowitch, who has to his credit one of the wordiest essays on Marxism, published in one of the most learned German magazines, says: "Marx's socialist demands and his theory of value are genetically related, but systematically considered there is no connection whatever between them. In saying this I merely repeat something which is self-evident to every philosophically educated person who has grasped the Marxian philosophy (*Weltanschauung*). Anybody who cares can find specific statements to that effect in Marx and Engels. So says Engels about the relation of Marx's socialism to his theory of value: Marx therefore never based his communistic demands thereon, but on the inevitable break-down of the capitalistic mode of production which we daily see approaching its end. And in the literature of Marxism this has always been insisted on."

At the risk of being accounted philosophically uneducated we shall have to disagree with our philosophic Marx-critic, along with others, for reasons which will presently appear.

Just now however it is the passage quoted from Engels that interests us. We must say most emphatically that Engels never said any such thing as he is made to say by our philosophically educated critic. Not that the *words* quoted are not Engels'. The words were used by Engels, surely enough. But their *meaning* is entirely different. For Engels did not say this, "About the relation of Marx's socialism to his theory of value" as Simkhowitch (and Oppenheimer) seem to think, but about something else, which exactly reverses the meaning of the passage. In his preface to Marx's "Misery of Philosophy," Engels says that long before Marx some socialists attempted to base their socialism on the Ricardian theory of value, claiming that since, according to Ricardo, labor is the source of all value, the laborers are entitled to all the value produced, which means to the whole social product. And then he goes on to say:

"The above application of the Ricardian theory, namely, that to the workingmen, as the only real producers, belongs the entire social product, *their* product, leads directly to communism. This application is, however, as Marx points out in the passage quoted above, economically formally false, for it is simply the application of ethics to economics. According to the laws of capitalistic economics the greatest portion of the product *does not* belong to the workingmen who produced it. We may say: this is wrong, it must not be. But that has nothing to do with economics. We merely say by this, that this economic fact is opposed to our moral feelings.

"Marx therefore never based his communistic demands thereon, but on the inevitable break-down of the capitalist mode of production which we daily see approaching its end."

Our philosophically educated critic evidently got things somewhat mixed. Marx never based his communistic demands on the *moral application* of the Ricardian, or his own, theory of value. Nor on any morality for that mat-

ter. Therein he differed from the utopian socialists who preceded him and from such of those who followed him, who, like Bernstein for instance, have returned to the moral application of economic theories. That is why Bernstein and the rest of the Revisionists do not see the connection between the Marxian theory of value and his socialism. Any theory of value will do for them as long as it permits, or they think it permits, the *moral* application which they are after. And as any theory might be made to yield such a moral to those who look for it, they have become indifferent to theories of value in general. Not so with Marx. His socialism is scientific, as distinguished from utopian based on moral applications, in that it is the result of "the inevitable break-down of the capitalistic mode of production." But this inevitable break-down can only be understood and explained by the aid of the Marxian theory of value. That is why his theory of value and his socialism are so intimately connected in his system. Marx based his socialism on his theory of value. But on its economic results, not on its moral application. And it is due to the lack of understanding on the part of his critics as to what Marx conceived to be the economic results of his theory of value, that the discussion of the relation between his theory of value and his socialism is still going on, and his and Engels' writings are still being put to all sorts of uses.

The law of value which lies at the basis of capitalism contains within itself, according to Marx, a mass of contradictions which lead in the development of capitalist society to the formation of a series of antagonistic elements which must ultimately result in its break-down. While these contradictions and antagonisms are developed by the same economic process, they are not all of a strictly economic nature, and may have results of what is usually considered a moral character.

While the facts themselves which will lead to the displacement of the capitalist system must be strictly economic in their nature, that is to say the capitalist mode of pro-

duction and distribution must become a fetter upon production before it can be overthrown, the actual power which will overthrow it, or at least the form which this will assume in the consciousness of the men who will do this work, may be of a moral or ethical character. For man possesses the peculiarity of placing absolute standards on relative matters, and he calls moral everything that accelerates his progress on any road which he may be travelling, and immoral everything that retards this progress. When he finds, therefore, that any given arrangement is in his way he declares it to be immoral and fights it with all the force of his "moral nature."

He may, therefore, be depended upon to make a moral issue of, and lead a crusade against, anything that will stand in the way of his economic progress. It is to the economic facts of capitalism that we must therefore look for the basis of socialism.

In order to appreciate properly these facts, we must go back a little to the beginning of our examination of the capitalist system. We have there noted the difference between the wealth of capitalistic society and that of the forms of society which preceded it. We have noted that difference to be in the fact that capitalistic wealth is an aggregation of commodities. This, as was also already noted, is due to the circumstance that the purpose of capitalistic production is different from that of any former mode of production.

This difference in the purpose of production, production for the market instead of for use, has wrought a change in the process of distribution of the social product between the different social elements which are to share therein. Under former systems of production this process was a very simple one, and the persons engaged in it were conscious and well aware of what they were doing. It was an extra-economic process, in a way, the real economic process being confined to the process of production. It was in the capitalist system that the process of distribution first



became an unconscious, "natural," and economic process, by the addition of the circulation-process to the production-process of commodities, as part of the general economic process of society, and that part of it in which the distribution of the produced commodities among those entitled to them is to take place.

From the capitalist standpoint the circulation-process of commodities is the most important of the economic processes. Not, however, because it is only by this process that the produced commodities reach their social destination, the consumers, but because it is in this process that all value, including the surplus-value, the cause and aim of capitalist production, is realized. Until realized in the circulation process, all value produced for the capitalist, "necessary" as well as "surplus," is only potential value, liable to be destroyed at any moment by some change in the social conditions of its production or distribution. In order that the capitalist class may obtain its surplus-value, the whole value must not only be produced but consumed, either absolutely or productively. And in order that the individual capitalist may obtain his share of the fund of surplus-value created for his class, the value in the production or circulation of which he is economically engaged must be consumed as far as he is concerned, that is to say, it must reach his immediate consumer.

This process of the realization of value and of the distribution of the surplus-value in the circulation-process of commodities is presided over by the God of capitalism—Competition—who, as all the world knows, is "the life of trade." The share of the surplus-value which each individual capitalist obtains depending on his success in this competition, the source of all surplus-value has been lost sight of, and the importance of the circulation process grossly exaggerated. It has, however, a real and vital importance to the capitalist class, for it is here that the surplus-value produced elsewhere is actually realized.

The essentials of capitalism are therefore three. Private

Property; a free working class; and Competition. Private property in the means of production is, of course, at the foundation of the capitalist system as it is of all societies divided into classes. In this it does not differ from other class-societies which preceded it. Not so with the other two elements. They were almost unknown to the social systems which preceded it, but are absolutely essential to capitalism. We have already seen how important a role competition plays in the realization and distribution of the surplus-value among the members of the capitalist class. It also plays an important part in determining the relative amount of the surplus in all the values that are produced, as we shall have occasion to see later.

This however, depends on the third element, the free working-class. The working-class in order to serve as an efficient instrument of capitalist production must be absolutely free. "Free," as Marx says, both from personal bondage and from the ties of property. Were the workmen to be burdened with property the whole edifice of capitalism would be impossible, for the commodity labor-power would then be absent from the market and the possession of the necessary and surplus-value would then be united in the same person, which would extinguish all difference between them. Production of commodities would also be next to impossible were the workmen not free personally so as to be able to sell their labor-power to the highest bidder. Competition among the producers would then be impossible. For competition implies equality of opportunity, whereas under such conditions the opportunity of production would depend on the possession of workmen. Besides, production or abstention from production would then depend not on the choice of the capitalist but on the number of workmen he possessed. He could not produce if he possessed none, and would be compelled to produce if he possessed them. For it is of the essence of a slave that he must be fed, and consequently worked. The presence of these three elements together turns the

means of production into "Capital," and gives the laws of capitalism free play. Hence, free trade is the typical policy of capitalism, as is the "free" employment of private property, personal liberty and right to contract, with all that it implies. And protection in any form, or the interference with property and liberty in any manner, is a sign of either an imperfectly developed capitalism, or of capitalism in a stage of decay and tottering to its fall.

What, then, are the tendencies of the development of these elements of the capitalistic system? How do they influence one another in the course of their development? And how is the production and realization of surplus-value, the aim and purpose of capitalistic economic activity, affected by the sum-total of these influences?

The growth of capitalism, in so far as it is not merely expansion over an increased area, but development of force and power, means the rapid accumulation of capital, more particularly of machinery of production and circulation. All our great accumulations of wealth consist of this machinery with the exception of some consisting of land, which, as we have seen, gets its value from the reflex action of this machinery. The accumulation of machinery does not mean, however, the mere piling up of machinery upon machinery; that is to say, it does not mean the mere *addition* of machinery of the same kind to that which already exists. The process of accumulation starts out, of course, by addition of machinery of the same kind. But it does not proceed very far in that way. The real spring of the process consists in the constant invention of ever newer and costlier machinery. The economic value of this machinery (that is its value as an economic force) consists in its labor-saving quality. It is of the essence of every new invention that it must be labor-saving in some way, otherwise it is useless to capital. This mechanical law of the accumulation of capital finds its economic expression in the law of the rising organic composition of capital.

The essence of all new machinery introduced in the pro-

cess of accumulation of capital being its labor-saving quality, and the purpose of its introduction being the replacing of costly live-labor by a cheaper mechanical process, the accumulation of capital is only possible by the constant replacement of live-labor by machinery, by the ever-recurring forcing out of employment of great masses of labor. Thus, this mechanical law of the accumulation of capital, which, as we have seen, finds its economic expression in the rising organic composition of capital and therefore in the falling rate of profits, finds its sociological expression in the capitalistic law of relative over-population.

That is to say, that under capitalism a country may become over-populated with *relation* to the needs of capital or of the capitalist class in laborers, and large masses of its population may thereby lose their means of productive employment and therefore their means of subsistence, while the absolute needs as well as means of employment and subsistence are quite sufficient to provide for all its members. The Malthusian law, whatever *else* may be said of it, certainly has no application to the question of population under the capitalist system of society. For aside from the question whether there are any "natural" laws governing the growth of population and of the means of subsistence, such laws, if there be any, would be quite superfluous and inoperative under capitalism. For the very processes by which capital is being accumulated produce an over-population long before the natural limit of population could be reached, and that limit is therefore *never* reached under capitalism.

The laborers who are continually being thrown out of employment by the introduction of new, labor-saving, machinery, are thereafter absorbed in whole or in part by the process of production, when the new capital, or the old capital in its new form, has had sufficient time to expand and accumulate on the new basis so as to need new "hands." This process of absorption continues as long as the accumulation proceeds on this new (soon to become

old) basis of production, and until it has sufficiently accumulated to require, and has actually found, a new basis of production in the further invention of some newer machinery. When this occurs there is a new "freeing" of a mass of workmen from the bondage of employment, and the process begins all over anew.

This constant hunt for additional surplus-value, here by expanding the old processes of production by constantly employing more labor and here by changing the processes so as to narrow down its base of human labor, in short: the process of accumulation of capital, requires, not only a "free" but an *elastic* working class. It necessitates the existence of a "reserve" army of workmen beside the active one. This it creates and augments by the repeated displacements of live-labor by machinery, and it makes use of it for the purposes of expansion when accumulation glides along smoothly until the next "fitful" explosion. The greater the accumulation of capital, the greater the "reserve" army which it needs and creates, as compared with the "active" army which it maintains. The "reserve" army is not identical with the "army of the unemployed," but the greater the "reserve" the greater the potential army of the unemployed.

The workmen under capitalism being "free" and equal, there is no actual line of division between the active and reserve army of laborers. On the contrary they are in continual flux, men on duty and reservists continually changing place, and the same men sometimes being half active and half reserve. The existence of the reserve army and this relation between the active and reserve armies of the working class have the most deplorable effect on wages, and on the condition of the working class generally. Aside from the destitution caused by the introduction of new machinery among those workmen who are thereby thrown out of employment and those directly dependent on them, the presence in the market of this superfluous mass of labor-power entering into competition with that part of the

working class which does find employment reduces the price of that labor-power which is employed without thereby gaining any employment for itself. While the value of labor-power is determined by the amount of labor necessary for its re-production, that is, the amount of necessaries consumed by the workingmen, this amount is by no means a fixed quantity. It depends on the standard of life of the working class as it has developed in the course of its historical existence in a given country. But this standard, being a product of historical forces, may be raised or lowered. The existence of the "reserve" army, the process of the accumulation of capital which produced it, tends to lower this standard and it needs hard fighting to keep it up, not to speak of raising it. Besides, making, as it does, the workingman the sport of every turn of the fortunes of capitalistic production, absolutely insecure in whatever livelihood he does get by reason of the fierce competition of his fellow-workers, and therefore dependent on the whim and caprice of his capitalist employer, it tends to degrade his morale, break in him all manifestations of the spirit of independence, and to make of him a servile tool of his capitalistic master. ✓

But right here in its influence on its first requisite, a free working-class, we encounter the contradictory nature of capitalistic development. The very processes which tend to reduce the workingman's wages, and to lower and degrade him, bring into life those conditions which enable him to forge the weapons by which he can not only successfully withstand the hurtful tendencies of capitalistic development, but which are destined to work the wonders of his salvation from wage-slavery,—the economic and political organization of the working class. \* The introduction of those very new machines which threw so many workingmen out of employment and so largely increased the "reserve" army, has laid the physical foundation for the organization of the working class by bringing great masses of workingmen together and by rubbing off all differences between

them. It has also laid the mechanical foundation for the future greatness of the working class by changing the methods of production from their narrow individual foundation to a broad social base.

No less contradictory is the process of accumulation of capital in its effects on the capitalist class itself. As we have already seen, the accumulation of capital is accompanied by a falling rate of profit. This naturally tends to retard the progress of the process of accumulation, and works in the nature of an automatic brake. This, however, is not the only way in which the process of accumulation counteracts its own tendencies thereby checking the *tempo* of its growth. Every invention of a new machine, while an evidence of growing accumulation of capital, and itself a means to its increased accumulation, is at the same time the means of an enormous destruction of existing capital. ✓  
As was already pointed out, our vast accumulations of wealth consist in aggregations of machinery. But every invention of a new machine makes useless the machine the place of which the new one is to take, and the capital invested in the old machines is thereby totally destroyed. The progress of accumulation of capital is therefore accompanied by enormous destruction of existing capital, which naturally retards the growth of the sum-total of capital. Besides, the invention of new machinery, by diminishing the time necessary for the production of commodities, and thereby lowering their values, lowers the value of *all* existing capital. This, again, has a tendency to retard the process of accumulation, that is the growth of the sum-total valuation of the machinery and other commodities of which the capital possessed by the capitalist class consists.

The capitalists as a class might regard with equanimity these retarding tendencies or automatic checks in the accumulation of capital, for the net result of the contradictory tendencies is still a rapid enough growth of the accumulated mass of capital to suit even the most exacting of capitalists. But the equanimity of the individual capitalists is disturbed

by the details of the process which result from these contradictory tendencies, and by the way those details affect their individual fortunes.

For while the net result of the process, as far as the whole mass of capital is concerned, is a pretty rapid growth, this growth is not at all equally distributed among the different individual capitals. Quite to the contrary: the contradictions of the process manifest themselves largely by the extreme rapidity of the growth of some of the individual capitals, and the equally extreme rapidity in the shrinkage, or the total extinction, of some other individual capitals, due to the fact that the benefits derived and the losses incurred by reason of the contradictory elements of the process are not equally distributed among the individual capitalists. Under a system based on competition they could not very well be.

The general process of accumulation of capital, by reason of its mechanical basis alone, leads to the *concentration of capital and production*, that is to the formation of economic centers whereat are "run together" within comparatively small space and under one guidance large amounts of value in the shape of costly machinery and other means of production, and large numbers of workmen. And the particular way in which this process works its way, by benefiting some capitalists at the expense of others, leads to the *centralization* of capital, that is the amassing of large amounts of wealth in the same hands, by transferring the capital of those capitalists who lose by the process to those that come out winners. This leads to an increase in the number of large capitalists, whose capital grows at the expense of the general body of capitalists, whose number constantly decreases. The few chosen capitalists fatten at the expense of their fellows.

These two processes—the concentration and the centralization of capital—accelerate each other. Particularly does the concentration of capital become a powerful factor in its centralization, by turning over to the control, and



ultimate ownership, of the winners in the game whatever the losers manage to save from the wreckage, as well as the belongings of those who have managed to keep their wealth although they have lost their economic position. By reason of the concentration of capital, those capitalists who have saved part of their capital, and even those who have managed to keep their capital intact, are unable to maintain their independence and to continue in the economic process as independent operators. First because by reason of the concentration of capital, that is to say, by reason of the fact that, owing to the introduction of improved machinery, a large outlay of capital is necessary in order to carry on production on the new basis, the capital which formerly enabled a capitalist to operate independently is now insufficient for that purpose. So that even the capitalist who still possesses the amount of capital which he formerly possessed is unable to continue as an independent capitalist. And secondly even if the amount possessed by such capitalist should be sufficient for the technical needs of the production-process on the new basis, he would still be unable to maintain an independent existence for the reason that under the new circumstances, with the lower rate of profit which follows, his capital would not yield sufficient revenue to maintain him, and certainly not enough to permit him to further accumulate. This creates what might be called a "reserve" army of capitalists, or rather, half-way capitalists, whose capitals go to swell the funds of the real capitalists in time of the expansion of economic activity, and these latter get most of the benefit derived therefrom. These supernumerary capitalists also usually furnish the funds for all sorts of crazy speculative ventures, which in their turn also accelerate the centralization of capital. This "between the devil and the deep sea" class is receiving constant accretions from above owing to the constant squeezing-out process of the devil on top by the continued accumulation of capital, and its numbers are as constantly being depleted by its lower strata sinking into

the deep sea of wage-slavery. If this process should be permitted freely to work out its tendencies, it would result in society being sharply divided into two unequal divisions: a few enormously rich capitalists on top, and the bulk of society at the bottom. A stage would be reached when, by reason of lack of numbers, the capitalists would really cease to be a social class, as a social class presupposes a certain minimum of numbers, and the loss in quantity would turn, for the capitalists, into a loss of the quality of their position as a social class.

Will this process work out these tendencies? And what will be its effect on the future of the capitalist system? According to Marx these tendencies of the capitalist system must run their fatal course, unless the system itself breaks down before the process is at its end. For the contradictions of the law of value which are at the basis of the capitalist system of production and distribution are such that, aside from the sociological results to which they must inevitably lead, enumerated by us above, its purely economico-mechanical existence is put in jeopardy by the laws of its own development.

The purely economico-mechanical breakdown of the capitalist system will result, according to the Marxian theory, from the inherent contradictions of the law of value, unless the development of capitalism is in some way arrested (or unless the system breaks down earlier for some other reason), in the following manner:

In the fight for the market among the individual capitalists under the rules laid down by the God Competition, each capitalist in order to survive and succeed must strive to be able to sell his goods cheaper than his competitors in the market, that is, he must be able to produce more cheaply than the others so as to be able to undersell them and still make a profit. There are various ways in which the cost of production can be lowered. They all reduce themselves, however, to one proposition: to make the share of the workman in the product produced by him as small as possible.

This may be accomplished by directly reducing the wages of the workingman, an expedient which cannot always be resorted to, for the reason that there is a limit beyond which the wages of workingmen cannot be reduced. The more usual way, therefore, is the one which we have already noted, that is by continually substituting machinery in the place of live labor, by inventing labor-saving machinery. The result, as far as the relation of the workingman to the product produced by him, is the same in both cases: his share therein becomes smaller. In the latter case perhaps more so than in the former. An additional reason why it is more often restored to. Hence the constant rising composition of capital which we have already observed.

There is, however, another phase of this process which is lost sight of by the individual capitalist, but which may have dire results for the capitalist class and the whole capitalist system. Besides the desired result of cheapening commodities this process has the very undesirable result of making the purchasing power of the laborer smaller in proportion. In other words, the laborer ceases to be as good a customer as he was before, and, as the capitalist must have a customer to buy his products, whether cheap or dear, and can not sell his products unless he has a customer ready and able to pay for his products, he is evidently placed in this dilemma,—either he must give his workingmen a larger share of the manufactured product in the shape of wages (or at least refrain from cutting down the share which the workingmen receive) or destroy the purchasing power of the workingmen, that is, of his future customers.

This contradiction grows and is enhanced in potentiality with the development of the capitalist system, for the reason that the development of the capitalist system consists, as we have seen, in this very cheapening of production by the supplanting of the workingman through labor-saving machinery. As the capitalist system develops, that portion

of capital which goes to pay the workingman's wages diminishes very rapidly in comparison with the whole capital employed for the purposes of production. The result of this is, as we have seen, first a falling rate of interest; and secondly, a growing army of unemployed, a relative over-population. But the same law which creates a relative over-population, an over-production of men, also creates an increasing over-production of goods, as the larger the army of the unemployed the smaller is the army of workingmen purchasers. This will finally result in the disproportion between that portion of the manufactured product which goes to the workingman and the whole of the yearly product of society becoming so great that the surplus-product, that is to say, that part of the manufactured product which will find no purchasers, will clog the wheels of production and bring the whole economic machinery of society to a stop.

The stock argument against this position of Marx is that while the immediate effect of the introduction of machinery is to throw out of employment the workingman employed in the branch of manufacture in which the new machines are introduced, it at the same time of itself opens up new employments. When sifted down, this amounts to the contention that the workingmen who are thrown out of employment in the old industry wherein the new machinery is introduced, are re-employed in the machinery-producing industry wherein these very machines are produced. This contention is, however, evidently untrue for the following reasons: As we have already seen, the reason for introducing a new or improved machine is a desire to cheapen the manufacture of a product. This cheapening can be effected only by saving labor, and this saving must be a very substantial one in order to make it profitable to the capitalist to introduce the new machine, because this requires a large outlay of capital. Workingmen are usually paid by the week, so that the outlay in capital for the employment of a hundred workingmen will be the weekly wage

of these one hundred workingmen. A new machine, however, which should dispense with the work of fifty of these one hundred men usually requires the expenditure of a large sum of money entirely out of proportion with the weekly allowance of the fifty workingmen whose labor is dispensed with. That is why modern capitalistic enterprises require such large amounts of capital properly to carry them on. The new machine must therefore not only cost in original price and expenses of keeping less than it would cost to employ the fifty men during the time of service of this machine, but it must also pay sufficient to warrant the large investment of capital involved in its introduction. In other words, the labor-saving quality of the machine must be a very substantial one. A mere small saving of labor will not warrant the introduction of costly machinery, requiring, as it usually does, an entire change of the system of production and large expenditures not only in the buying of the machine itself but also in its accommodation in buildings, etc., and involving as it does, the destruction of much old capital.

Now, if it were true that the workingmen who are thrown out of employment by this machine can be re-employed in the production of this very machine, that is to say, if it required as much labor to produce this machine as it was formerly required to produce the product which this machine is now to produce, there evidently will not only be no cheapening of production, but on the contrary, production will become more expensive for it will require the same expenditure of work or labor (for the machine and the product together), and a larger outlay of capital. Evidently, this machine must not require in its production the same amount or even nearly the same amount of labor which would be required to produce the products which it produces.

Of course, the same number of people may be employed in producing this machine, but this machine should produce a vastly larger amount of product than was ever be-

fore produced without it; but then, the question presents itself,—to whom shall this additional product be sold? The share of the workingman in this largely increased product must be much smaller in proportion to what his share was before the introduction of the new machinery, otherwise production will not have been made cheaper. There will, therefore, be a larger product to dispose of than there ever was before, and the difficulty of finding customers becomes insuperable.

It may be argued that the additional product which the workingmen will be unable to buy up will be taken up by the capitalists. This seems a very simple way out of it, and sounds very plausible. As a matter of fact, for long centuries this is the way things usually adjusted themselves. Under the old slave and feudal systems there never was such a problem as over-production, for the reason that production being for home consumption the only question that ever presented itself was: how much of the product produced shall be given to the slave or serf and how much of it should go to the slave-holder or feudal baron. When, however, the respective shares of the two classes were determined upon, each proceeded to consume its share without encountering any further trouble. In other words, the question always was, how the products should be divided, and there never was any question of over-production, for the reason that the product was not to be sold in the market but was to be consumed by the persons immediately concerned in its production, either as master or slave. There was no production for the market, and consequently no overstocking of the market. When, by chance, production increased out of all proportion, the product could simply be stored away, and it never interfered with the proper prosecution of the industries in the future.

Not so, however, with our modern capitalistic industry. It is true that all of the product with the exception of that portion which goes to the workingman goes, now as before, to the master, now the capitalist. This, however, does not

settle the matter finally, for the reason that the capitalist does not produce for himself but for the market. He does not want the things that the workingman produced, but he wants to sell them, and unless he is able to sell them, they are absolutely of no use to him. Salable goods in the hands of the capitalist are his fortune, his capital, but when these goods become unsalable they are worthless, and his whole fortune contained in the stores of goods which he keeps melts away the moment the goods cease to be marketable.

Who then, will buy the goods from our capitalists who introduced new machinery into their production, thereby largely increasing their output? Of course, there are other capitalists who may want these things, but when the production of society as a whole is considered, what is the capitalist class going to do with the increased output which can not be taken up by the workingman? The capitalists themselves can not use them, either by each keeping his own manufactures or by buying them from each other. And for a very simple reason. The capitalist class can not itself use up all the surplus products which its workingmen produce and which they take to themselves as their profits of production. This is already excluded by the very premise of capitalistic production on a large scale, and the accumulation of capital. Capitalistic production on a large scale implies the existence of large amounts of crystallized labor in the shape of great railroads, steamships, factories, machinery and other such manufactured products which have not been consumed by the capitalists to whom they have fallen as their share or profit in the production of former years. As was already stated before, all the great fortunes of our modern capitalist kings, princes, barons and other dignitaries of industry, titled and untitled, consist of tools and machinery in one form or another, that is to say, in an unconsumable form. It is that share of the capitalist profits which the capitalists have "saved," and therefore left unconsumed. If the capitalists would

consume all their profits there would be no capitalists in the modern sense of the word, there would be no accumulation of capital. In order that capital should accumulate the capitalist must not, under any circumstances, consume all his profits. The capitalist who does, ceases to be a capitalist and succumbs in the competition with his fellow capitalists. In other words, modern capitalism presupposes the saving habit of capitalists, that is to say, that part of the profits of the individual capitalists must not be consumed but saved in order to increase the already existing capital.

As a matter of fact, this saving habit, of which the apologists of capitalism make such a virtue, is really enforced upon the capitalists. It is a *sine qua non* of capitalism itself. The very statement that improved machinery has been introduced in any industry already implies the fact that the capitalists of that industry have "saved" enough out of their share of the product manufactured by the old mode of production to be able to manufacture the new machinery or buy it from its manufacturers, and thereby increase the capital employed in their business. The same reason for "saving" which existed before the introduction of the new and improved machinery and which caused its introduction, namely, the competition of the market, which compels each capitalist to accumulate capital out of his profits, continues to exist and cause the further accumulation of capital and the further introduction of new and improved machinery. He cannot, therefore, consume all of his share in the manufactured product. It is evident, therefore, that neither the workingman nor the capitalist can consume the whole of the increased product of manufacture? Who, then, will buy it up?



## CHAPTER VIII.

### THE CONCENTRATION OF CAPITAL AND THE DISAPPEARANCE OF THE MIDDLE CLASS.

#### I.

With the discussion, in the last chapter, of the *tendencies* of capitalistic development, we have entered upon the proper domain of *Revisionism*. While it is true that the Revisionists revise to a greater or less extent the accepted Marxian philosophico-historic and economic theories, this is done only as an incidental to their criticism of the Marxian conclusions as to the historic course and ultimate fate of capitalism. Moreover, wherever Revisionists attempt to criticize the fundamentals of the Marxian system, they do so usually only in so far as it is necessary in order to attack that superstructure of conclusions with reference to the capitalistic system which Marx erected on those fundamentals. This is to be seen not only from the nature of the criticism itself which the Revisionists pass on the Marxian theory, but also from the history of Revisionism. Revisionism, which was at one time, before it assumed its present proportions, known as Bernsteinianism, after Eduard Bernstein, its foremost representative, began in a very modest and unassuming way by questioning the accuracy of some of the conclusions to which Marx arrived as to the course and tempo of capitalist development. And it was only after it appeared in the course of the discussion that these conclusions were intimately related to the whole structure of the Marxian theoretical system that the fundamentals of his system were first called into question by Revisionists. But even then the true Revisionists did not at-

tempt to pass independent criticism on the philosophico-historic or economic theories of Marx, but merely borrowed this criticism from older and more outspoken opponents of Marxism. The work of Revisionism proper still remained the criticism of what may be conveniently, though rather inaccurately, called the sociological theories of Marxism, that is, the theories as to the probable future development of our social system, which we have attempted to set forth in the last chapter. It is, therefore, not to be wondered at that Franz Oppenheimer puts at the head of his book on Marxism the thesis that "the foundation pillar of Karl Marx's social theory, the most important premise for all its important conclusions, is 'the law of capitalistic accumulation.'" The center of gravity of Bernstein's book "Die Voraussetzungen des Sozialismus,"<sup>1</sup> the chief pronouncement of Revisionism, is what Bernstein has to say on the tendencies of the development of modern capitalism, although he criticizes both the philosophic and economic theories of Marx. The discussion of those tendencies forms the bulk of Revisionist literature. And in the forefront of this discussion is the question: Does capital concentrate and the middle-class disappear, and as rapidly, as Marx predicted?

In his now famous book Bernstein attempted to prove: 1st, that capital does not concentrate in the manner, and certainly not with the rapidity, that Marx predicted; and 2nd, that the middle-class does not disappear. To substantiate his assertions he cites some statistics to show that while there certainly is a tendency towards concentration, and even rapid concentration, in some industries, this tendency is not universal, and moreover, in the very industries in which this tendency does exist it is in a measure neutralized by the birth of new enterprises in the place and stead of those which disappear owing to the process of concentration. The conclusion to which he arrives, therefore,

<sup>1</sup> Eduard Bernstein, *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie*. Stuttgart, 1899.

is that, while concentration of capital undoubtedly takes place, it does not take place in all the capitalist industries, and is, on the whole, extremely slow. He also cites another series of statistical data apparently showing that the tendency in the distribution of incomes in modern society is not, as is supposed to be assumed by Marxists, towards a wiping out of moderate incomes, leaving only a small minority with large revenues and the bulk of society with only workingmen's wages, but, on the contrary, the tendency is towards an *increase* of the *number* of persons whose income is derived from the possession of property. From this he argues that the middle-class does not disappear, but on the contrary is growing.

The likelihood of the growth of the middle-class in numbers while capital was undergoing a steady, though slow, process of concentration, would seem of such doubtful nature as to raise a suspicion as to the character of the statistics. Bernstein saw this, and he, therefore, hastens to allay our suspicions by the following observation: The corporation — says he — tends to neutralize to a large extent the tendency towards centralization of wealth through the concentration of undertakings. The corporation permits of a widespread splitting up of 'already concentrated capital, and makes superfluous the acquisition of capitals by individual magnates for the purposes of the concentration of industrial undertakings. Wherefore, he opines, the opinion, "prevailing among socialists," that the centralization of wealth runs parallel to the concentration of industrial undertakings is erroneous.

In the book which Kautsky has written in reply to Bernstein, "Bernstein and the Social Democratic Program,"<sup>1</sup> he shows that Bernstein's statistics are unreliable and incomplete, and that the conclusions he draws from them are unjustified. We shall not enter here upon a detailed discussion of these statistics, as this would be beyond the

<sup>1</sup> Karl Kautsky, *Bernstein und das Sozialdemokratische Programm. Eine Antikritik.* Stuttgart, 1899.

scope of the present work. Besides, we fully agree with one Marx-critic, Oppenheimer, who, evidently disgusted with the poor showing Bernstein made with his statistics, declares that those who attempt to refute Marx by statistics are on the wrong track. For, says he, you can only beat Marx by his own method, and the Marxian method is not at all statistical. Marx never relies on statistics to prove his assertions. He uses statistics only for the purposes of illustration. His proofs he gets from well-known facts which may be recorded in the statistical tomes but do not need any statistics to establish them. We will say here only this: Since the disastrous attempt of Bernstein to use statistics against the Marxian position, this weapon has been almost entirely discarded by Revisionists. On the other hand it must be admitted that Marxists also resort to statistics now with less confidence than formerly. It seems that since the publication of their books in which the same statistics are used by Bernstein on the one hand and Kautsky on the other and such different conclusions arrived at by each, people have become distrustful of statistics. Oppenheimer voices this general distrust when he says: "Statistics are an extremely pliable mass, as the literary controversy between Bernstein and Kautsky has shown. With a little dialectical dexterity you can prove almost anything statistically."

We disagree with the learned Marx-critic that you can prove anything and everything by statistics. But we do believe that you can prove nothing by statistics unless you handle them intelligently. Of themselves statistics do not prove anything. No more than facts of themselves prove anything. If it were so there could hardly be two opinions on most points which have been in controversy ever since scientific research began. It requires intellect to read the facts. It requires intelligence to read statistics. Furthermore, it requires great intelligence to gather statistics, and in this respect statistics, which are mere records of facts, are a poorer basis for scientific generalizations than facts of

observation. Unfortunately our statistics are not gathered by the people who are to use them, and as they are necessarily not full and complete, they must be used with great care and discrimination. Of course wrong or unintelligent handling of statistics will not make them "prove" anything that they really do not prove, as Oppenheimer seems to think, but it will render them worthless.

Kautsky has proven that Bernstein's statistics do not prove his assertions. The reason for it is that Bernstein handles his statistics unintelligently. But even Kautsky's intelligent handling could not make them yield any great results because of the incompleteness of our statistics and of the lack of intelligence in their gathering. Hence the general dissatisfaction on both sides with statistics. We will, therefore, follow here the Marxian method of making only such facts the basis of our argument as require no statistical tables to prove them, but merely to illustrate them.

Before proceeding, however, to discuss these facts we want to call attention to some significant circumstances in connection with the Revisionist movement and its literature. First in point of time and importance is the tone of early Revisionist Marx-criticism. We have already called attention to the nihilistic character of this literature. Now we desire to add that this nihilism was a gradual growth and was forced on the revisionists by their own inability to solve the problems which confronted them. At its inception Revisionism was merely doubtful. Doubt is the *leit-motif* of Bernstein's first literary attempts at revision. In the second place is to be considered the inability of the old-school Marxists to stem the flood of Revisionism, notwithstanding their great efforts. While the flood of Revisionism is now at a standstill, if not subsiding, this is not due to the efforts of the Marxian leaders on the theoretical field, but to its own practical barrenness. And yet, there was enough in what was written by Marxists to show the utter untenableness of the revisionists' position. Kautsky's book was a crushing blow to Bernstein's attempts at the-

orizing. Yet it passed almost without any appreciable results: the question of Revisionism was not settled, although it should have been if it were a question of soundness of argument. Thirdly, we must notice the fact which we have already mentioned as the reason for the failure of the Revisionist movement: the fact that notwithstanding its great literary influence the Revisionist movement was absolutely barren of practical results as far as the socialist movement was concerned.

All of these facts and circumstances is proof positive that there must have been something in the development of modern economic life which caused the appearance of the revisionist movement as an intellectual endeavor to take cognizance of and explain this development. It is also clear that this development, whatever it may be, was not, or at least not fully, reflected in our statistics, which accounts for the fact that neither side could prove its case conclusively by the aid of statistics, and the consequent distrust of all statistics. What was that *something* in the development of modern economic life, and how does it affect the Marxian theory?

The trouble with Bernstein and the rest of the Revisionist writers is that they do not go below the surface of things, and therefore do not know what "struck them," to use an inelegant but adequate colloquialism. Bernstein talks of the "new middle-class," the "wide distribution of incomes," the large number of stockholders in the big corporations or "trusts," and the influence of corporations on the centralization of wealth, but nowhere does he examine these things systematically or in any way analyze them so as to see their real significance in modern economic life, or even their exact meaning. Nowhere does their connection with the theoretical system which he criticizes appear. That is why his book makes the impression of the rambling talk of a man who does not know his own mind. The truth of the matter is he did not know his own *problem*. He had a vague feeling that there was a problem demanding

solution, but he did not understand what it was. Hence his doubting tone, the lack of a clear and definite purpose, or even the statement of a clearly defined problem for the solution of others. Hence the overlooking of the problem by those who took up the fight against him. Hence, lastly, the endless discussion to no purpose. Yet there was a definite problem, and had Bernstein understood it sufficiently to enable him to state it clearly it would have found an answer long ago.

At about the time Bernstein was writing his famous book, the present writer stated the essential point of this problem (which is in our opinion, together with the inability to appreciate the scope of modern imperialism, at the bottom of the whole Revisionist movement), in one sentence in the course of an unassuming magazine article. A good many have laid claim to the honor of being the original Revisionist. It is not the intention of the present writer to enter the lists as a contestant for this honor. This incident is mentioned here only for the purpose of showing that the air was then pregnant with certain questions which required answering. The present writer specifically renounces all claims to that high honor of being the Original Revisionist, for as a matter of fact he never was a Revisionist. It is of the essence of Revisionism to see or feel the problem and not to see its solution. The article referred to, however, not only stated the essential point of the problem, but also indicated its solution.

The problem is to harmonize the Marxian teaching with the development of corporate methods of doing business. We have already seen how Bernstein attempted to explain the discrepancy between the statistics as to the concentration of industrial undertakings on the one hand and as to the accumulation of wealth on the other, by a reference to the corporate methods of doing business. We shall see later that Bernstein has mistaken the influence of the development of corporations in that particular respect, and in general it may be said that Bernstein's weakness con-

sists in his failure to appreciate and develop the strong point of his argument—the development of corporations. The fact, however, that Bernstein and the rest of the Revisionists failed to present it properly makes the phenomenon none the less real.

The Marxian analysis of the capitalist system and his deductions as to the laws of its development proceed upon the assumption of the absolute reign of the principle of competition. It was on the basis of that assumption that he declared that during the progress of capitalist development “one capitalist kills off ten,” thereby centralizing all wealth in the hands of a steadily diminishing number of persons, eliminating the middle classes and leaving society divided into two classes only: capitalists and workingmen. But what if competition should be abolished or checked? What if the capitalists, large and small, should decide not to compete any more with each other, or to restrict the area and intensity of such competition, and divide profits amicably instead of fighting with each other over their division, so as to avoid the necessity of killing each other off? Evidently the result would be the arrest of the processes described by Marx in the event of the entire abolition of competition, and a retarding of those processes in the event of its mere checking. *This is just what must happen owing to the development of corporations.* The supplanting of individual enterprise by that of corporate is merely an attempt to avoid the results of competition, if not altogether abolish it. The effectual abolition of competition by the so-called Trusts, which are merely the logical result of the ordinary corporation-enterprise, is notorious and, practically, undisputed. But it is not only the Trust that interferes with competition. The primary, nay, the only purpose of a legitimate corporation is to blunt the edge of competition. It is designed either to nullify or suspend the baneful effects of past competition, or to prevent or diminish its ravages in the future. There can be only two legitimate reasons for organizing corporations. Either to



enable those whose capital is insufficient to keep abreast of the latest requirements of production to remain in the field from which they are individually forced out by the march of events, by combining their several insufficient individual capitals into one sufficient to meet the new requirements; or, to enable those whose capital is sufficient to undertake independently to split up their large capitals into many small ones, each to invest in many undertakings and each undertaking to consist of many investments, instead of each taking up one of the undertakings on his own hook. In the first case it is an effort to beat fate by those vanquished in competition. It is an effort by those whom competition has forced out of the economic arena to stay in, by representation at least. In the second case it is an effort to limit the effects of competition in the future by dividing up and limiting its risks and liabilities (it should be remembered that the essence of a corporation is limited liability), and by providing a sort of mutual insurance between capitalists and capitals.

Here, therefore, is a check to the development of the capitalist system as outlined by Marx. A check which is destined to arrest or at least retard that development. The formula of centralization of wealth and of the disappearance of the middle-class evidently needs revision.

The question of the disappearance or the non-disappearance of the middle-class was complicated also by another and minor phenomenon which apparently swells the numbers of the middle-class and particularly influences the distribution of incomes. We refer to the so-called "new" or non-productive middle-class. This phenomenon is very interesting in another aspect of modern capitalism, the aspect of waste and its uses in the capitalistic system. But of that aspect of this phenomenon we shall treat later at some length. Here we are interested only in the mere fact of its existence. And we shall, therefore, merely say here that the existence of this "new" middle-class, particularly while its origin and character remained unexplained and

undifferentiated from the ordinary middle-class, considerably complicated the, in themselves, not very easy tasks of determining the influence of the corporation on the destinies of capitalism and the effect of this new departure in capitalism on the Marxian theoretical system.

Of course it can easily be seen that these matters do not in any way affect Marx's analysis of the working of capitalism and the laws governing that system while it lasts. As we have seen before, competition is of the essence of that system. This is recognized by the friends as well as the foes of that system. It has been embodied in its written as well as in its unwritten laws. "Restraint of trade," which is the legal term for restricting or abolishing competition, was illegal and punishable by the common law of England, that classic land of capitalism. All our anti-trust laws are based on the assumption that competition—which is "the life of trade"—is the basis of capitalism, and, therefore, one of the inalienable property-rights of every man living in a capitalistic society. They are nothing more than a statutory enactment of the common law of capitalism that to interfere with competition is to interfere with the life-blood of capitalism, and therefore mortal sin in the eyes of capitalistic law. It is, therefore, not a refutation of the Marxian analysis of the capitalist system to show that tendencies in the development of that system which Marx said would continue to exist as long as capitalism lived, disappeared in whole or in part when the basic principle of that system was abolished or modified. Naturally enough, the tendencies of capitalism cannot manifest themselves in a society where there is no capitalism, nor can they *fully develop* under *limited* capitalism if such a thing be possible.

What may be affected by the phenomenon which we discussed above is not Marx's analysis of capitalism, nor even his prediction that capitalism as it existed is going to destruction,—but his prediction that on the ruins of the capitalist system will be reared the edifice of a socialist so-

ciety. As we have seen, Marx's socialism is based entirely on his conclusions as to the future development of certain tendencies of capitalism. If those tendencies are abolished, even though with the basic principle of capitalism itself, or modified along with that principle, what warrant have we to say that socialism is inevitable? It is upon those tendencies that we are dependent for the conditions which are a prerequisite to socialism, according to Marx, and with the abolition of those tendencies the conditions which will bring socialism may never arise. The questions to be answered, therefore, are: Is capitalism going to be supplanted by some other system, or is it merely going to be limited or modified? And if it is to be supplanted what will take its place? *After Capitalism, what?*

## II.

In what relation does the existence or non-existence of a middle class stand to the possibility or inevitability of Socialism? It is generally assumed that, according to Marx, all the middle class must disappear and society become divided into a handful of capitalistic millionaires on the one hand and poor workingmen on the other before a socialist form of society can supplant our present capitalist system. There is, however, no warrant for such an assumption. Marx nowhere says so expressly. Nor is there anything in Marx's historico-philosophical views, that is, in his Materialistic Conception of History, from which such a conclusion could rightfully be drawn. All that that theory implies is that the evolution of society depends entirely on the development of its economic forces. And in those passages of his great work where Marx speaks of the evolution of society from Capitalism to Socialism, it is only the social forces of production and distribution that claim his attention. But Marx is no fatalist. He does not believe that society develops automatically without the aid of the human beings who compose it, or of the social classes

into which it is divided. He takes into consideration the human beings with which these social forces work. This is, in fact, the essence of his theory of the class-struggle. In this respect the different social classes have, according to his theory, their bearings on the evolution of society.

In his analysis of the evolutionary tendencies of the capitalist system Marx notes and accentuates the presence of a tendency to eliminate the small bourgeois or middle-class which he believes to be rapidly disappearing. He lays great stress on this point, and evidently believes it to be a movement of very great importance in the evolution of capitalism towards socialism. A careful reading of Marx, however, will not fail to disclose the fact that Marx did not consider the complete disappearance of that class all-essential, and that it was only the disappearance of that particular middle-class of which he treated that he considered of any importance at all. In other words, it was not the entire absence of *any* middle-class or social stratum between the big capitalists and the workingmen, that he considered of importance for the realization of his socialist ideals, but it is the presence of a certain particular class, possessing certain particular characteristics (or at least its presence in any such great numbers as would lend it social strength) that he considered obnoxious to the movement of society toward socialism. In order to understand thoroughly the Marxian position on this question we must consider his general estimate of the different classes or strata of society as factors in the evolution of society from capitalism to socialism. And that, again, we can only understand if we consider them in the light of the Materialistic Conception of History. This we shall now proceed to do.

Our readers are already familiar with the Marxian philosophy of history from the discussion in the early chapters of this work. We have there shown the absurdity of the claim that Marx and his followers denied the influence of ideas on the course of history. Here we want to go a step

further and say that, in a sense, Marx was one of the most idealistic of philosophers. And the sense in which we mean this is in relation to this very question of the influence of ideas. Marx believed in the reality of ideas, both as to origin and influence. There were philosophers who, like Hegel, did not believe in the reality of our material world. They believed that the only real world was the world of ideas, and that the material world was only a manifestation of the development of the absolute idea which developed according to laws of development contained within itself. To such philosophers there could, of course, be no question of the influence of ideas on the course of history. To them there was nothing real in the whole course of history except this development of the idea. These philosophers are, of course, the real idealists (and, incidentally, more deterministic than Marx). But of those philosophers who believe in the materiality of the material world, Marx is easily foremost in the *reality* which he ascribes to ideas. According to Marx, ideas are firmly rooted in reality and are therefore of abiding influence while they last, and not easily susceptible of change. In this he radically differs from those to whom ideas have a mere aërial existence, coming from the land of nowhere, without any particular reason in our historic existence and, therefore, vanishing without regard to our social environment, its needs or tribulations. This Marxian esteem of ideas must always be borne in mind when discussing the influence of the human being as a factor in the making of his own history. Let us, therefore, keep it in mind in the following discussion.

What are the characteristics of the socialist system of society in which it differs chiefly from our present capitalist system? First, the social ownership of the means of production — the absence of private property in them. Secondly, the carrying on of all industry on a co-operative basis — the absence of industrial individual enterprise. Thirdly, the management of all industrial enterprise democratically — all "captains" of industry and all other industrial dig-

nitaries to be elective instead of appointed by divine prerogative, and to hold office by the consent and during the pleasure of the governed.

Now let us see what classes of our present society are suited to bring about such changes, and which are not. The bearer of the socialist revolution is the modern Proletariat. It is the class of the proletarians that has the historic mission of tearing down the capitalist system of society. Remember well: not the poor man, nor the workingman, but the proletarian, is going to do this work. There were poor men before, so were there workingmen. But they were not proletarians. So may there be poor now, and even poor workingmen, who are not proletarians. The modern proletarian is not merely a poor man, nor is he necessarily a poor man in the ordinary sense of the word. Nor is he merely a workingman, although he necessarily is one. He is a workingman—usually poor at that—under peculiar historic conditions. Those conditions are that he is not possessed of any property, that is, the only property that counts socially,—means of production. By reason of this condition he is placed in certain social relations, both as to his own kind and as to his social betters, as well as to the social machinery. Through this he acquires certain characteristics of mind and body, a certain mentality and psychology which make him peculiarly fitted for his historic mission.

We will not attempt to give here an exhaustive description of his mental and psychological nature. We will only denote his character by a contrast: he is in every way just the reverse of the peasant. He had to be that, according to Marx, in order to be a fitting instrument for the carrying out of his historical mission. Marx's attitude towards the peasant is most characteristic. The peasant was a positive abhorrence to him, and he eliminated him from his promised land. This had the peculiar consequence that in countries where the peasantry is now undergoing the process of "capitalization," as in Russia, for instance, the Marx-

ists have been accused by the peasant-loving utopians of all sorts of horrible designs against the poor peasants. Of course, Marx and the Marxists have nothing but compassion for the poor peasant. But, besides seeing clearly the hopelessness of their case, they recognize the fact that the peasant, were he to exist, would be the greatest obstacle in the way of socialism. First let us note his ideas as to property. By reason of his occupation and the environment in which he and his forefathers have lived for ages, he has contracted such a love for his land, his house, his cattle, and everything else which he calls his own, that he will find it more difficult to separate from them than a millionaire from his millions. Their worthlessness has nothing to do with the case: their value can hardly be measured in money. This colors all his ideas about property. He and his forefathers before him have lived on this particular spot of land, and all his family history is connected with it. Here are buried the labors and sufferings of generations. All his own woes, and his pleasant memories (if he has any) are intimately associated with this patch of ground. Here he was born and here he hopes to die. Every tree, every building, is the result of his own and his family's great cares and labors. Every animal is his friend and companion in toil and misery. Most of them have been reared by him, even as were his own children. He will not enter the promised land if he has to give up his ruined, worthless, tax-eaten property for it. The "sacredness" of property rights to the peasant, the tenacity with which he holds on to it, is well recognized by those who have studied his character. This "idea" of his as to private property, in view of his stolidity and immobility, due to the immobility of his surroundings and the sameness of the methods and nature of his work, would make him an inveterate enemy of socialism and a stout upholder of capitalism. But, aside from this, he is unfitted for a socialist society, and particularly unfitted to make a fight for it, because of his inability to co-operate with others. A

peasant is the greatest individualist imaginable, at least as far as boorishness, suspicion, opinionatedness, and the other "individualist" virtues are concerned. For centuries he has led an isolated and self-sufficient existence. He lived by his own toil without the help of others. He never came into contact with others except to be robbed and oppressed and occasionally to be cheated. No wonder he is such an individualist. Nor has he been fitted by the countless generations of oppression which he has undergone, or by the work to which he is accustomed, to the arduous and complicated duties of a self-governed industrial community. All this would make the old-fashioned peasant an inveterate enemy of socialism, notwithstanding his great poverty and ruined existence, if he were to survive. But he is not to survive. We cannot enter here upon a discussion of the so-called agrarian problem. One thing may be stated, however, without any fear of contradiction: the old peasant, as Marx knew him, and the old economic surroundings and social environment which produced him, are no more, except in very backward countries, and there they are disappearing before the onward march of capitalism. With the old-fashioned peasant passes away the mainstay of private property and the bulwark of reaction. There is no other social class that could quite fill his place in this respect.

The bourgeois has few of the characteristics of the peasant. He is quick and always on the *qui vive*. His love and attachment for property are not as pronounced as those of the peasant. He has not the kind of property which becomes individualized and may be personified. He has himself produced none of it. He cannot form any lasting friendship with his stock of goods or the machines used in his manufactory. They are liable to constant change and can be easily supplanted by others of their kind. In most cases it is in their quick disposal that his chief advantage lies, and he parts from them without regret. As a matter of fact he never cared about them: it is their money value



or equivalent that is dear to him. In other words, it is **not** the property itself that he values or cares for, but the ad- van- ta- ge derived from its possession; although in some cases, particularly where business is done in the old-fashioned way, and life is arranged correspondingly, there may be some love of property as such with reference to some kinds of property: usually the place of business or abode and its furnishings and belongings.

With these characteristics the bourgeois is ill-adapted to take the place of the peasant as a defender of property and of reaction. Yet, Marx considers his disappearance of considerable importance for the inauguration of the socialist state. Why?

To the vulgar materialists who insist on calling themselves Marxists this question presents no difficulty. They reduce the Materialist Conception of History to the simple formula: "everybody for his own pocket." And as the pockets of the bourgeoisie are presumably going to be injured by the transformation from capitalism to socialism, that class must necessarily be against the change, and therefore it must be removed in some way in order to pave the way for socialism. This perversion of the Materialistic Conception of History is, unfortunately, very widespread, and for good reason: It is a reproduction of the practice and theory of capitalism. Of the "common" practice, of course, but also of the very highest theory of which capitalism is capable. It is, in effect, a mere paraphrase of the "intelligent egoism"—the greatest height to which the capitalist intellect could rise. The fact that this theory can easily be proven to be logically absurd and historically false will not diminish its vogue as long as the condition to which it owes its origin remains unchanged. Only gradually, following in the wake of the economic changes, and at a distance at that, will a truer understanding force its way.

Except in the case of seers like Marx. With all his dislike for the bourgeoisie Marx never believed that all bour-

geois, or their intellectual and moral leaders, simply followed the dictates of their pockets, personal or otherwise, as can easily be seen from numerous passages scattered in his many writings, and particularly in the "18th of Brumaire."

What makes the bourgeois character unfit for socialist co-operation, and his ideology one of the chief mainstays of capitalism, is the independence which the possession of property gives him. While he has no particular love for his property, or, to be more exact, for the objects of his property, he values very much the independent *social status* which the possession of property gives him, no matter what this property consists of. As a matter of fact it is not the particular property that he is concerned about, but its social exchange-value. For the purpose of his social status it is not the actual objects of his property that count, but the social attributes and possibilities which attach to all property. That is why he stands up for the abstract principle of private property, something which the peasant is very little concerned about as long as its practical enjoyment is not interfered with. The social existence of the old-fashioned bourgeois, his everyday economic life, make him accustomed to strive for and cherish this independence founded upon the possession of property, and his ideology becomes decidedly individualistic. In his foremost intellectual representatives this crystallizes into some such system as that of Herbert Spencer, and looks upon socialism as a form of slavery. The alertness and aggressiveness of the class only accentuate the craving of each individual for absolute economic freedom, for being let alone to fight the battles of life. And the success of the class only whets its appetite for further conquests, and makes it impatient of any restraint, while its intellectual achievements give it one of the brightest weapons ever wielded by a ruling class.

A good deal has been written and said about the supposed great influence of force as a social factor, and again

the vulgar materialists have contributed their little share to the general confusion. Of course brute force has been and will be used by all ruling classes, both in acquiring and maintaining their dominion. But brute force alone never did, and never could, sustain a ruling class for any considerable length of time. In order to see the correctness of this assertion it is sufficient to bring to mind the fact that the ruling class is always a minority, usually a small one, of the population of a country, and that, taken man for man, the members of the ruling class seldom possess more physical strength than the members of the subject class. The force of the ruling class is not natural but acquired, and is social in its character. It consists in its organization, which permits it to use part of the strength of the subject class, and sometimes the whole of it, for the subjugation of that class. Sometimes the mere fact of its own organized condition may be sufficient to hold the superior but disorganized force of the subject-class in awe and trembling. But even then it is not mere brute force, for organization itself is a moral and not a physical force. This is evidenced by our language; we speak of a physically superior force, which is incapable of properly exerting itself for lack of proper organization and discipline, as being "demoralized." This applies, however, only in exceptional cases. Usually the ruling class depends on something outside its own organization to maintain its supremacy. This something is the social organization of the whole community or nation. It is by using the power of the whole social system for its own purposes that the ruling class is able to maintain its supremacy at a time when that is clearly against the general interest or against the interest of large portions of the subject class or classes.

The basis of this social power exercised by the ruling class is usually the economic system in vogue, which makes the subject-class economically necessarily dependent upon the ruling class. But this does not always suffice. Very

often, therefore, the ruling class depends, to some extent at least, on purely moral suasion for the continuance of its power. Religion was, therefore, from time immemorial, the handmaid of the temporal power, except where it was itself a temporal power and thus united in itself the functions of mistress and maid. With the waning of religion and the passing of its influence, science and philosophy have taken its place, and usually perform the same functions with equal alacrity and facility. That does not mean, of course, that either religion or science and philosophy were invented by the ruling classes in order to keep the subject classes in bondage. The ruling classes merely make use—sometimes proper and sometimes improper—of a means which they find at hand. The point is that usually the lower classes get their “ideas”—their religion, science, art, philosophy—from the upper classes, and these are apt to be such as express and represent—in short “idealize”—the mode of life of those classes and the principles underlying the same. This is always true when the lower class depends on the upper for its economic existence. At such times the economic virility of the ruling class expresses itself in a buoyant and aggressive ideology which seems to, and often does, express the interests and aspirations of society as a whole. But no ruling class has ever had such a great opportunity of exercising such great moral or ideal influence on its subject class as has the bourgeoisie, owing to the great and manifold development of the arts and sciences during the time it held its sway. This unprecedented wealth of ideas has had the remarkable effect, first of all, of making the bourgeoisie itself drunk with its power and almost mad in its desires and aspirations. No king has ever believed himself more God-chosen to rule than has the bourgeoisie, nor has any ruling class ever laid such pretensions to the absoluteness and immutability of the laws of its rule as does the bourgeoisie. Or, rather, we should say, as *did* the bourgeoisie in the heyday of its power.

And while it was in the heyday of its power the bourgeoisie managed to permeate the working class with its ideals, habits and modes of thought, perhaps more than any ruling class ever influenced a subject class. This was due, on the one hand, to the unprecedentedly large extent to which the working class has been permitted to participate in the benefits resulting from the general spread of knowledge, and on the other hand to the peculiarly forcible way in which the economic argument is brought home to the modern workingman. Under no preceding social system have the economic woes of the ruling class been so quickly and with such dreadful effect reflected to the subject-class. We must never, therefore, forget the great importance which the influence of the bourgeois ideology has on the modern proletariat, particularly in the early stages of its development, although, as we shall see later, during and by virtue of its development it formulates an ideology of its own.

The capitalistic "ideas" and habits of mind are inculcated into the working class by the capitalist class, intentionally and unintentionally, by and through its lower stratum, or what is usually called the "middle class." So long as there is a large and virile middle class the working class will be largely under its domination and influence, morally and æsthetically. It is with this class that the working class comes into immediate contact socially. It is on this class that the workingman fixes his hopes and aspirations for the future. It is this class that teaches him at kindergarten and at school, that preaches to him at church and in "ethical" societies, and it is this class that gathers and sifts for him the news of the world and explains it to him in his daily newspaper, and gives him his popular science, his art and his "literature."

It is because of those "ideal" characteristics of the old-fashioned bourgeoisie, the old middle-class of capitalist society, and even more so because of the "ideal" influences of that class on the working class, that Marx con-

sidered its disappearance of such great importance in the movement of society towards socialism. That is, in so far as he considered such disappearance of any moment in itself, outside of its being a mere indication of the movement of the economic forces of society. For it must always be borne in mind that it is the development of the economic forces that is the real power working for socialism, and any influence which any class or group of men may have on that movement, except as an expression of such development, is merely secondary.

### III

In the first section of this chapter we stated that the development of corporate methods of doing business brought a new factor into the development of capitalism which apparently worked at cross-purposes with those tendencies of capitalistic development which, according to Marx, were to result in the destruction of the middle classes of capitalist society. We also stated there that this presented to Marx-students the problem of harmonizing the Marxian prognosis as to the tendencies of development of capitalism with this new factor, and that the Revisionists were not equal to the task, and therefore came to the conclusion that Marx's prognosis was wrong. We interrupted the argument in order to give in the second section a characterization of the different social classes of the capitalist society which Marx had before him, in order to understand his position with reference to them. This was necessary in order that the reader may get the full meaning of the argument that we are going to present here in an endeavor to show that the Marxian prognosis of the development of capitalism and its ultimate fate, as well as the delineation of the social system which is going to take its place, need no revision, any more than any other part of his theoretical system. We shall now, therefore, return to our revisionist friends, and particularly to their leader, Eduard Bernstein.

The main points of Bernstein's position on this subject, as already stated, are: 1st, that as a matter of fact the *concentration* of capital is not as rapid as Marx or some Marxists imagined or believed. 2d, that as a matter of fact there is no *centralization* of capital, that wealth does not accumulate in few hands only, to the exclusion of all others, and that the middle class is, therefore, growing instead of disappearing. And 3d, that the reason for the divergence in the tendencies of the concentration of capital on the one hand, and the centralization of wealth on the other, is due to the development of the new social factor, the corporation.

This being a purely theoretical discussion, the first point can hardly be considered. Theoretically only the tendency of the evolutionary phenomena is of any importance. What may, therefore, have been of very great importance in the discussion between Bernstein and Kautsky, which embraced other than purely theoretical matters, may be of only secondary importance here. The length of time which History will take to complete the evolutionary process outlined by Marx is no part of the Marxian theoretical system. Marx never stated it, and it could, therefore, only be surmised what his opinion on this subject was. But even if he had expressly stated it, that would not, of itself, make it part of his theoretical system. Besides, the ground is so well covered by Kautsky that one does not feel like doing less, and can hardly do more, than reproduce the Kautsky argument in full. And as considerations of space do not permit us to do that, we must refer those of our readers who may be interested in this phase of the discussion to the original.

As to whether, and how far, the second point made by Bernstein is of any *importance* in the discussion of the Marxian theory will be considered later. Here we will examine the phenomenon supposed to have been noted by him. We have already mentioned the fact that the only proof on which Bernstein relies to establish his second proposition are certain statistics as to incomes. But right here the fallacy

of his statistical method becomes apparent. Aside from the fact that there is no standard by which you can measure the different grades or divisions of incomes as high, middle or low, and any such division must, therefore, necessarily be arbitrary, and aside from the fact that such standard must vary, not only from country to country, but even between places in one country and even in close proximity with each other, and (and that is of paramount importance) from time to time, there is the cardinal defect that income, as such, is no index whatever to either social or economic position. A man's income does not, necessarily, place him in any social position, and need not, necessarily, be the result of a certain economic condition, except under certain exceptional circumstances when, as Marx would put it, quantity passes into quality. The mere statement of a man's income does not, therefore, give his social position or economic condition, unless it be first proven that certain incomes can only be derived in a certain way, or from certain sources. Bernstein glides over carelessly from incomes to property, assuming that the derivation of a certain income implies the possession of a certain amount of property. But this non-chalance is due to an absolute lack of understanding of the real questions at issue. As a matter of fact, a given amount of income does *not* always, nor even in the majority of cases, indicate the possession of a given amount of property. A farmer, a manufacturer, a grocer, a teacher, an army officer and a mechanical engineer, may all have the same income, and yet their social position, their economic condition, and the amount of property which each possesses may be entirely and radically different. The question is, or should be, not *what* is a man's income, but *what does he derive it from?* And, under what conditions, and in what manner does he do it. And this does not mean merely that the inquiry should be directed to the amount of property he possesses, or whether he possesses any at all, but also, if he does possess property, to the question of what it consists of and how it is employed in order to yield the income. The importance



of this last point will immediately suggest itself if the reader will recollect what we said in the second section of this chapter on the psychological and ideological effects of the different kinds of property and the different occupations. But we shall discuss this more at length further below.

As we have already stated, however, in the first section of this chapter, the real strength of Bernstein's argument does not lie in the statistical data with which he attempts to prove his alleged facts, but in the social phenomenon which he observed and which seems to counteract the evolutionary tendencies of capitalism described by Marx. The real meat of his argument lies in the third point mentioned above. The real question is: how does the modern development of that social economic factor, the substitution of corporate in the place of individual economic action on the part of the capitalists, react on the fortunes of that class. Our inquiry must not, however, be limited to the question of the division of income within that class, but also as to how, in what manner and under what circumstances, this division is being effected. We must find out not only *how much* each capitalist gets as his share of surplus-value created by the working class, but how his share is determined and what he must do in order to get it. Into what relations does his getting it, and the manner in which he gets it, bring him to his fellow-capitalists, the other classes of society, and society at large, that is, the social organization as a whole.

Bernstein says, in discussing the importance of the Marxian theory of value, that the fact of the creation by the working class of surplus-value, and its absorption by the capitalist class being provable empirically as a fact (to his satisfaction, of course) it makes no difference by what economic laws it is brought about. This may be good enough reasoning when one starts out from so-called "ethical" premises, but is absolutely inadequate from the scientific historico-economic point of view. We have already sufficiently pointed out the great importance of the difference which does exist, in its purely economic bearings, and now we wish to

insist on it because of what might be termed its social or ideological importance. For it is not the mere fact of the creation by one class of surplus-value or a surplus-product and its absorption by another class, but the *way in which it is done* that gives its character, including its *ideology*, to society as a whole and to each and every class and subdivision of a class therein. In examining, therefore, the influence of the development of the corporation on the fortunes of the capitalist class, it is not only the effect upon its numbers, but also and mainly the effect upon its character that is to be considered, for on the latter may depend the character of the whole social system. Upon the latter may also depend the durability of the social system and its speedy transformation into another. We shall, therefore, examine the question from both aspects.

And first as to numbers. Does the substitution of corporate for individual effort arrest the shrinkage of the numbers of the capitalist class or develop a tendency to its expansion, as Bernstein asserts? Decidedly not. And even Bernstein's empirical-statistical method, poor as it is, shows this. Bernstein does not deny the absolute and relative growth of the working class. And as the working class and capitalist class can only grow, aside from their proportional growth with the growth of population, at the expense of each other, they evidently cannot both grow at the same time. But this is just what is evidently happening if Bernstein is to be believed. Both the capitalist class and the working class are simultaneously growing at the expense of each other! Only the uncritical handling of *mere figures* could betray him into such an absurdity. A careful examination, on the other hand, of the actual phenomena under consideration would have shown him that while the corporation may arrest the rapidity of progress in the shrinking process of the capitalistic ranks, it cannot do away with the process itself. The capitalist class must shrink!

In this connection we must, in the first place, consider the fact, already noted by Marx, that the corporation itself

is a means towards the concentration of capital, with all that it implies. By combining the smaller capitals of the individual capitalists, and more particularly by turning over to the big capitalists the small capitals of the middle class and upper strata of the working class, either directly or indirectly, by means of banking and savings institutions, such tremendous concentrations of capital and industrial undertakings are made possible which otherwise could not, or could only with great difficulty, take place. This places the whole industrial system on a higher plane of capitalization and must necessarily force out a lot of small capitalists by making their capital inadequate for the undertakings in which they are engaged, and the return on their capital, owing to the increased falling of the rate of profits, insufficient to sustain them. Thus, while on the one hand this form permits these small people, or some of them, to combine their capitals and thereby gain a new lease of life, long or short as the case may be, it on the other hand gives additional impetus to the very forcing out process which makes their individual independent position untenable. While in one way it retards the shrinking process it, in another way, accelerates it.

Another point to be considered in this connection is the fact that the corporation is the chosen and well-adapted means of all forms of dishonest and speculative undertakings, by means of which the unscrupulous rich manage to relieve the confiding, because helpless, poorer strata of the capitalist class of whatever individual competition has left to them. In times of "prosperity" all sorts of industrial and commercial undertakings are organized which no one would dream of organizing if he had to do it with his own capital. But as the corporation form permits the "promotion" of these schemes at the expense of the public, there will always be found enough "promoters" who are willing to "take a chance" with and at the money of the "general public," which is composed of the lower strata of capitalism. This "public" not being in a position economically to com-

pete with the magnates of capital, are willing to nibble at their schemes in the hope of finding some profitable employment for the remnants of their former fortunes or their savings.

Then comes the panic or the "contraction" and all the bubbles burst, leaving the field strewn with the corpses of the small fry, the would-be-capitalists despite the fact that their means were insufficient to give them standing as capitalists individually. Another and very important aspect of this phenomenon will be considered later in another connection. Here we simply want to point out the fact that the corporation is not merely a means of permitting the small capitalists to participate in the economic undertakings which they could not tackle on their own account, but also of relieving them of their small capitals, and either wasting them or transferring them to the large capitalists, directly or indirectly. This was pointed out at the beginning of the discussion by Kautsky, and since then we have had abundant proof of the great possibilities of this relieving process. The exposures of Thomas W. Lawson have shown that the very loftiest pillars of capitaldom engage in this relieving process, not merely as an incident to the natural "expansion" and "contraction" of the commercial world, but deliberately, with malice aforethought, manufacturing to order "expansion" and "contraction" in order to accelerate the relieving process. These exposures have also shown that where the small fry do not nibble themselves in *propria persona*, their bankers, savings banks and other depositaries do it for them, as if they were vying with each other to prove the correctness of the Marxian prognosis.

It must not be assumed, however, that this relieving process is due entirely to dishonesty on the part of the big sharks of capitalism in dealing with their weaker brethren. On the contrary, the process itself is a natural one, due to the natural workings of the corporation. This process is only accelerated by the exposed "evils," by the abuses of the corporate form of doing business, for there are natural, as

well as artificial, panics and contractions, and they all result in the transfer of the capitals of the small fry to the big sharks, or in their utter waste and destruction, as will be seen later.

Aside, however, from the "evils" and "abuses" of the corporation system, aside from the casual, although periodically recurring, waste of small capitals and their transfer to the big magnates of capital in times of panics and contractions, the usual and necessary results of the corporation system, its very *uses* and mode of operation are such as to make it almost nugatory as a preservative of the *numbers* of the capitalist class — as a means of staving off the destruction of the independent middle class.

The ordinary and usual course of corporation business is such that only a few persons, the rich who organize and control it, get most or all of the benefits derived therefrom. In order that we may clearly understand this point we must bear in mind the difference between business and loan capital. There is a difference between the return a man gets from his capital when he employs it in business himself and when he lends to another capitalist to be used in the same business. In the first contingency he gets all the profit that is made in the business, in the second only that part of the profit which is called interest. The amount of interest is not always the same proportion of the amount of profit realized, but it is always only a share and never the whole thereof. In determining the proportionate share of the owner of the capital and the undertaking capitalist, respectively, in the profits realized in the business, all other things being equal, regard is had to the risk assumed or undergone by the owner of the capital, the lowest proportion being paid as interest where the owner of the capital takes no risks whatever. This is interest proper. The balance of the profit, whatever is left after the deduction of this interest for the mere use of the capital with no risk attached, remains in the hands of the capitalist, according to capitalistic notions, for his work of supervision of the industrial

undertaking and the risks involved in it. If a capitalist lends his money on insufficient security he gets higher interest. But this higher interest is really not pure interest; it is interest proper together with an additional premium (part of the profit in its narrower sense) paid for the risk run by the man who makes the loan.

In a corporation the work of supervising the undertaking engaged in by the concern is not done by the stockholders, but by paid officers and employes. These officers and employes are always the rich who organize and control it, and they not only eat up all that part of the profits which goes to the capitalist for his work of supervision, but usually a great deal more in the shape of high salaries and incidental expenses. This part of the profit of *all* of the capital interested goes to the big capitalists only, the small fry get none of it. And if by some chance a small capitalist should get this (which would only be possible in the exceptional case where all stockholders are small men) it would still remain true that only one would get it, and the remaining stockholders would not get that part of the profit which goes to *every* independent capitalist.

There remains, therefore, to the stockholding capitalist only the interest proper and that part of the profit which goes as compensation for risk. In this respect the stockholding capitalist is placed in the same position as the lending capitalist; the greater the risk involved in holding stock in a certain corporation the greater will be his return (if he gets any), and the smaller the risk the less his return, in the shape of dividends. But the risks which he takes here are not only the risks of the business venture, but also those of dishonest corporate management. Besides, even in the question of the profitableness of the business there is the possibility of fraud, for he is obliged to rely on the judgment of others who may be interested only in the venture to the extent of their ability to draw large salaries. The result of all this is that the prospective stockholder is desirous of investing in a safe corporation, that is to say, in cor-

porations at the head of which are big capitalists who hold out some kinds of guaranty or promise as to results. But the safer the corporation the more is the investor, not only the bondholder but even the stockholder, reduced to the position of a person who lends his money to it, at least as far as the amount of profits he receives on his capital is concerned. This can be seen any day on the stock exchange. The safer the corporation the more is the dividend reduced to the level of mere interest. In speaking of dividend in this connection we mean, of course, the amount of the dividend as a percentage on the capital invested. Sometimes a very safe corporation pays very large dividends (although this is unusual), but in such an event the value of the stock will be so much above par as to bring the dividend down to the proper level. The small capitalist who desires to invest in a corporation is, therefore, between the Scylla of taking all sorts of risks which are not present in the case of the independent industrial undertaker, and the Charybdis of getting no return on his capital except interest.

But as interest is only a share of the whole profit, and usually a small one at that, it is very evident that not all, and not even most, of the capitalists who possess sufficient capital to furnish them an independent income at the prevailing rates of profit, if they could remain independent undertakers, will be able to derive such income as stockholders of a corporation. A good many of them will necessarily have to fall out at the bottom. Usually these are the people who furnish the capital for all sorts of venturesome schemes with alluring promises, which result disastrously. Being unable to maintain their position as capitalists by investing in safe corporations, they desperately risk their small capitals in these undertakings, hoping to retrieve by a stroke of luck what they lost by the force of economic evolution.

But this is not yet all. Those smaller capitalists whose capital is for the time being sufficient to maintain them as *rentiers* of capitalism, as investors in safe corporations, are

by no means sure of their position. We have already shown that the rate of profit has a tendency to fall. With the falling of the rate of profit falls that portion of it which is paid as interest, directly or in the shape of dividends, to bond and stockholders of corporations. This makes a capital which is sufficient to maintain a man independently to-day insufficient for that purpose to-morrow. Thus the falling-out-at-the-bottom process increases as capitalism progresses.

Some of the causes and processes noted above are slow in their operation. But one thing is certain, they are there and working their deadly havoc in the ranks of the capitalistic cohorts constantly and surely. The *tendencies* of capitalistic development cannot, therefore, be mistaken. Not only can not the capitalist class, that is, its lower stratum which is commonly called the middle class, grow, but it must surely and constantly *diminish*.

This diminishing process in the capitalist ranks, the passing from the capitalist class into the proletariat, may, however, and, owing to certain circumstances which will be considered later, frequently does assume such forms that the whole process becomes veiled and not easily recognizable. Here again the corporation plays a part, although not a very important one. Its part here consists in furnishing some additional folds for the veil which covers this process.

Some Marx critics, and Bernstein is among them, talk as if Marx saw only one process, and that one the constant passing of former capitalists of the middle class into the ranks of the proletariat. No doubt there are some passages to be found in Marx's writings which at first blush give such impression. And as a general statement of a tendency this is true too. But that does not necessarily exclude some cross-current which may affect the original and prime tendency described by him, although it cannot completely negative it. Hence the danger of relying on single passages in Marx without careful examination as to their connection, and the immediate purposes for which they are used in the connection in which they are found. Hence, also, the ease



with which all sorts of contradictions are found in Marx, according to his critics, as was already pointed out in another connection. It took Marx several bulky volumes to expound systematically his theoretical system, and then his work remained unfinished. He could not at each point recount all the circumstances which might affect or modify the tendencies or laws discussed, and which might be contained in other parts of his work. He assumed that the reader would remember them and read all the passages relating to the same subject together. Sometimes he purposely gave absolute form to a statement which he intended to qualify, and made certain assumptions he himself did not believe in, intending later to modify the absolute form of the statement or show the incorrectness of the assumption, in order to more clearly and *systematically* present his theory.

As regards the matter now under discussion there can be no doubt but that Marx did not mean to say that *all* those who are reduced from the ranks of capitalism by the progress of capitalism become proletarians. Some of them may, for a time at least, remain in the position of half capitalist, half proletarian, in that they may derive a part of their income from their property and part thereof from their labor. But even those who have lost all their property may still become proletarians in the antique sense only, that is, persons who possess nothing, but they may not be proletarians in the modern sense of the word, that is, laborers who are not in possession of their means of production. They may cease to be capitalists and still not become laborers; they may live by their wits instead of by their labor, or become mere sponges on their former co-classes. It is our opinion that, with the progress of capitalism, the percentage of this last mentioned class of people is growing larger among those who lose caste by reason of the elimination process of the middle class.

Hence the cry of the so-called "new middle class," raised by the Revisionists. Hence, also, the peculiar features of the statistics as to incomes. It is not because there is no

process of Centralization of wealth accompanying the Concentration of capital, as Bernstein would have us believe, that there is apparently a wide diffusion of small incomes which are not the proceeds of wages. This phenomenon is due, first, to the fact that with the concentration of capital wage-slavery has been growing upwards, embracing constantly new occupations, such as by their character and remuneration were not properly within its domain on a lower rung of capitalistic evolution. This class has been particularly increased by the development of the corporation. And secondly, to the increase of the class of people, who, although not possessing any property, still manage to maintain themselves in real or apparent independence and without coming, formally at least, within the purview of wage-slavery.

This brings us to the question of the effect of the recent economic development on the *character* of the middle class. Before passing, however, to the examination of that question, we desire to note the fact that much of the talk and statistics about the supposed slowness of the process of the concentration of industrial undertakings is due to the merely apparent and formal independent existence of many undertakings and undertakers that are really mere dependent parts of a large, concentrated, industrial enterprise. And we also desire to mention here the fact that Heinrich Cunow, one of the ablest of the younger generation of socialist writers in Germany, has done splendid service in pointing this out.

But, one may ask, while it may be true that the processes which you have described show that not all the members of the present or former middle class can remain in their position of small capitalists, deriving their income from the possession of property, there still does remain this "new" middle class which is not reduced to the position of proletarians. This "new" middle class, while it possesses no property, or not sufficient property to count economically, is still a class distinct and apart from the proletariat, and if numerous enough is a force to be reckoned with. And as to

the great numbers of this class the income statistics are certainly an indication. Those incomes which can not possibly be the result of wage-labor must be the incomes of this "new" middle class, unless they are the incomes of the property owning middle class, and the income statistics therefore certainly prove at least one thing, and that is that the "new," property-less middle-class, together with the old-propertyed middle-class, certainly form at present quite a formidable class and diminish only slowly. Where is the difference, as far as the subject that interests us (the approaching transformation from capitalism to socialism), is concerned, between the old and the new middle classes? Isn't Bernstein right, after all, when he says that if the coming of socialism were dependent on the disappearance of the middle class the socialists might as well go to sleep, for the time being at least?

In answer to such questions we will say: As already pointed out, it is not part of the Marxian doctrine that all middle classes must disappear before the advent of socialism, and the fact, therefore, that there may be developing a new middle class is no warrant for the assertion that the Marxian theory needs revision. Provided, of course, that the new middle class is sufficiently different to make a difference. It was shown already that Marx's prognosis as to the centralization of wealth through the disappearance of the property-owning middle-class is correct. And this is one of the decisive moments in the evolution from capitalism to socialism. It is not so much the merging of the persons who compose the middle class into the proletariat that is required as their severance from their property. For the passing of our society from its capitalistic form of production to a socialistic form of production, that is, for the socialization of the means of production, the only things that are of paramount importance are, first, that these means of production should be social in their character, and the more social the better (the concentration of capital); and, second, that these means of production should lend themselves to

social management, that is, be in the hands of as few persons as possible (the centralization of wealth). (It is of comparatively little importance how the surplus-value produced by the working class, the income of the capitalist class, is distributed. The question of this distribution is of any importance only in two aspects: 1st, in so far as it reacts on the centralization of wealth by permitting greater or less numbers to maintain their position as property-owners; and, 2d, in so far as it may affect the ideology of the different classes of society.)

In the first aspect, as we have already seen, the "new" middle-class is harmless. Its existence does not retard the process of the centralization of wealth, but, on the contrary, is its direct result. It is, therefore, only in the second aspect that any significance whatever could be attached to it. Let us see what it amounts to?

But before proceeding any further we must state that the possession of capital, property, being of the essence of a capitalistic class, the introduction of this so-called "new" property-less middle-class has created no end of confusion. A very great proportion of what is termed new middle class, and appears as such in the income statistics, is really a part of the regular proletariat, and the new middle class, whatever it may be, is a good deal smaller than might be supposed from the tables of incomes. This confusion is due, on the one hand, to the old and firmly-rooted prejudice, according to which Marx is supposed to ascribe value creating properties only to manual labor, and on the other to the severance of the function of superintendence from the possession of property — effected by the corporation as noted before. Owing to these circumstances large sections of the proletariat are counted as belonging to the middle class, that is, the lower strata of the capitalist class. This is the case with almost all those numerous and growing occupations in which the remuneration is termed "salary" instead of "wages." All these salaried persons, no matter what their *salaries* may be, who make up perhaps the bulk,

and certainly a great portion, of the "new" middle class, are in reality just as much a part of the proletariat as the merest day-laborer. Except, of course, in those instances where, by reason of the amount of their salary, they are in a position to, and do, save and invest. In so far as such investment takes place (as in the case of those who invest the remnants of their capital while depending for their support mainly on some useful occupation) they are on the border line between capital and labor, and are akin in their position to the ruined peasants who, before abandoning their villages, attempt to remain farmers by doing "something on a side." These cases are, however, not very numerous, and their condition is merely transitory. Another exception that should be noted is of those cases where the salary is so large that it evidently exceeds the value of the labor of the recipient. It will be found, however, in such instances, that such salary is paid only to capitalists who are really in control of the corporation which pays it to them, and is part of the process by which the big capitalists relieve the small ones of part of the profits coming to them. With these negligible exceptions, salaried persons are really part of the proletariat, no matter what they themselves think about it.

It is true that by reason of their descent, associations, habits and modes of thought these persons feel a certain solidarity with the upper class rather than with the class to which they belong. But this does not change their social-economic status, and, so far as their usefulness for the work for socialism, they present a problem which is only different in degree, but not in kind, from the general problem of the organization of the working class for its emancipation from wage-slavery. In the solving of the special problem, as well as in the general, the change in the *character* of the middle class is of quite some importance.

And the character of the middle class has changed. Nay, the character of the whole capitalist class has changed by reason of this substitute of corporate undertakings in place

of individual enterprise. And not only this, but the character of our whole social system is undergoing a change of quite some importance by reason thereof. And these changes have already wrought great changes in the ideology of the different classes composing our society, and are going to entirely revolutionize it. The famous phrase of a well-known English statesman, "We are all socialists now," was not as idle as some people supposed it to be. Of course the gentleman who uttered it may not himself have quite realized its full import, but the fact that he uttered it is one of the proofs of its correctness, although he may have attached to it an entirely different meaning from the one we give it. Its real meaning is this: The philosophy of *individualism*, the ideology of private ownership of property, and particularly of individual enterprise, is doomed; and the philosophy of *collectivism*, the ideology of the collective ownership of the means of production and of the social organization of human enterprise, is fast taking its place. The change is taking place not only in the realm of jurisprudence, which is the immediate expression of accomplished economic facts, but also in the remoter fields of *art* and *philosophy*. As yet there is chaos. None can mistake the "breaking up of old ideals," but only very few can see the whole meaning and import of it: that a new society, and a new ideology to correspond, are forcing their way and making rapid strides.

Spencerianism, that purest expression of capitalism, and not so very long ago the reigning philosophy, is dead and forgotten. And every new day surprises us by the official throwing overboard of some remnant of that philosophy which was still clung to the day before. Socialism is the order of the day. But not merely the "menace of socialism," which simply reflects the growth of the organization of the working class, but the recognition of collectivist principles and the expression of collectivist ideas. The session of the American Congress just closed gave remarkable evidence of that. It is not what was accomplished there, but

what was conceded in principle that interests us here. It is not, therefore, the legislation or attempted legislation for the benefit of the working class only that must be considered, but all legislative attempts which show this change of ideology.

In this connection we desire to state that there is some basis of fact in the cry raised in some capitalist quarters that Roosevelt is more "dangerous" as a socialist than Bryan. We do not think much of the socialism of either, and believe that they are both quite "safe," but we really think that Roosevelt is not quite as "sane" from the capitalist point of view. The difference between them is that between reactionary and progressive capitalism. It is the difference between anti-trust laws and railway rate legislation. Both classes of legislation are purely capitalistic measures, designed to protect the small capitalists against the big ones. But the methods adopted are based on fundamentally different social principles. As was already mentioned in an earlier part of this chapter, the anti-trust law is a capitalistic measure pure and simple, based on the theory that the State had only police duties to perform. Railway rate regulation, on the other hand, proceeds upon the theory that social means of production are there primarily for the benefit of society as a whole, and are, therefore, subject to social control. That does not mean that railway rate regulation is of any importance in itself. Neither regulation nor even ownership of railways by the capitalistic state are of any importance. But the assumption of regulation, particularly in a purely capitalistic country like the United States, is of significance as showing the drift of ideas. It is also of significance that attention is diverted from *incomes*, the Bryan mode of attacking capitalism, to the control of production, the field on which the real battles for the reorganization of the social structure will have to be fought out.

These changes in ideology have not come about because people have obtained a "better insight" into the true relation of things, but because the basis of all ideology, the eco-

conomic relations within our society, have changed, are changing. The private ownership of the means of production is the basis of capitalistic society, and therefore of all capitalistic ideology. And by ownership is not meant merely the derivation of revenue, but real ownership, that is, control. A capitalistic class not owning any capital, as the so-called "new" middle class, is a contradiction in terms, an anomaly. But no less anomalous is the position of a capitalist who owns but does not control his property. That wonderful artist, Gorky, with the true insight of genius, has divined this truth and has expressed it when he made one of his characters say that the true importance of wealth is the power of control that it gives one over other people. But this power of control does not lie in the revenue which one derives from wealth, but in the control of this wealth itself, which in our society is synonymous with means of production.

The truth is that the "new" property-less middle class is not a capitalistic class. It is no middle class at all. It is true that it stands in the middle between the capitalist class and the working class, and in this sense it is more of a "middle" than the old middle class which was nothing but the lower strata of the capitalist class. But it is no class. A class is not merely an aggregation of individuals having a more or less similar income obtained in a more or less similar way. In order that any aggregation of individuals should really form a social class they must perform some social-economic function. The existence of the "new middle class" is entirely too aerial to give it position as a social class. They are either merely "hangers on" of some other class, or hang in the air entirely, where they obtain their income from "wind." This "class" has none of the characteristics and none of the ideas of the bourgeoisie which we have described. It not only has no love for property as such, because it does not possess any, but it has not even that love of economic independence and individual enterprise which is the characteristic of the true bourgeois.



It has no veneration for property or property-rights, no love of economic independence, and consequently no constitutional abhorrence of "paternalism" or of socialism. All this "class" cares for is its *income*, and that is why its ideologists, the social reformers of all grades and shades, put so much stock in the question of income and always push it to the foreground. To the old bourgeois, in control of his property, it was a question of freedom and independence; he looked upon socialism as upon the coming slavery, he abhorred it for its very comforts which everybody shared alike. Not so with the new middle class. Any one of them is ready at any moment to change his windy existence for a governmental job, service of some corporation or any other occupation, provided his *income* will not be diminished, or even if it is diminished to a certain extent, provided it is assured to him for any length of time. For it must be remembered that this new middle class suffers just as much from insecurity of income as the working class, if not more, to which must be added insecurity of position. It is very natural that a "class" so all up in the air should not form any firmly rooted ideology of its own, that it should be drifting all the time, and should, therefore, be almost worthless as a social force either for or against the introduction of a new order. But, on the other hand, it is, because of the very nature of its social existence, extremely restless, ever ready to change, and ever longing for a change which would finally do away, or at least alleviate, its unsettledness, give it a rest. "Governmental interference" has no terrors for it. It feels the need of a stronger hand than that of the individual in arranging the field of battle for the struggle for existence. If such a makeshift may be dignified into an ideology, its ideology is State Socialism.

But it is not only the property-less, only-in-name, middle class that has lost its old bourgeois ideology. The remnants of the old middle class, the stockholding small capitalists, have lost their ideology with the control of their property. For it was that control, the individual enterprise,

that was at the basis of it. Furthermore, with this class as with the "new" middle class, it has become merely a question of income. For property without control is again a contradiction in terms. These people really have no property, although they and others think they do. What they have is a right to a certain income. They are nothing but rentiers, annuitants, either of public or private corporations. They are ready at any time to, and do, exchange their supposed property for more formal annuities and other *rentés*.

Robbed of its economic independence, deprived of the control of its property and of the opportunity of individual enterprise, it has no other aspirations except to preserve its comforts, its incomes. If it has any ideals at all, its ideals may be said to be just the reverse of the old bourgeois middle class. By the very nature of its way of managing its affairs the propriety, effectiveness, and, above all, the necessity of socialization, is brought home to it. Furthermore, being minority stockholders, the members of this class naturally look upon the general government, the social organization as a whole, as the protector of its rights against the upscrupulous methods and the rapaciousness of the big capitalistic sharks. It is true their ideas in this respect are not those of the revolutionary proletariat, it is not the social organization of work that they dream of, but the social organization of the distribution of gain. By a curious mental process they fill the old forms of their ideology, according to which the State was merely a policeman, with an entirely new substance by extending the police powers to fields which would have horrified their fathers had they lived to see the thing. The ideology of this class, like that of the new middle class, is a curious mixture of old and new ideas, but one thing is clear in the midst of all this confusion, that its antagonism to socialism is not a matter of principle but of convenience.

Hence the "breaking up of ideals," the great changes in the ideology of capitalistic society which we have already noted. Hence, also, the so many different forms of "social-

ism" with which we are blessed. Hence, lastly, the "social unrest" in capitalistic quarters.

For it is a mistake to think that the "social unrest" comes wholly, or even mostly, from below. Of course there are moments of unrest in the working-class. But it will be found, upon close examination, that a good deal of it is merely the reflection of the unrest of the higher layers of society. Furthermore, it will be found that the more the working-class emancipates itself from the mental and moral tutelage of the upper class, the more it develops an ideology of its own, as we shall see in the next chapter, and the less the "unrest" in its midst: the more steady its thoughts and actions become. Before the working-class ideology is full-grown, however, and while it is yet under the tutelage of the middle classes, the changes in the ideology of those classes which we have described are of great importance, and even the very restlessness of that ideology and psychology is of importance. For it first creates restlessness below, thus calling out nervous activity, and when that nervous activity has resulted in a firm and clear ideology it cannot offer any effective resistance.

Whatever, therefore, has been saved of the middle class by the corporation with regard to *numbers*, has been destroyed, and very largely by this very agency, as to *character*. What was saved from the fire has been destroyed by water. The result is the same: *the middle class*, that middle class which Marx had in view, the middle class which was a factor obstructing the way towards socialism, *is doomed*.

This is not all, however. The corporation has not merely failed to save the middle class. It is performing a positive and great service in the work of transformation of our society from capitalism to socialism. That work is nothing less than the abolition of private property and the substitution of collective property in the means of production; the demolition of the basis of capitalism and the rearing of the ground work of a socialist system of society. It is hard to think of our capitalists as doing this work, but that is

what they are doing nevertheless. In their frantic efforts to save themselves, the capitalist class is doing nothing less than undermining its very existence, cutting out the ground from under its own feet, abolishing, not only the basis of capitalism, but the basis of all class-society — private property. This fact has not been noticed hitherto and given the attention which it deserves, because, again, of the question of income which has obstructed our vision. Because our big capitalists get the benefits, the income, of our corporations, it has not been noticed that they don't own the property from which these incomes and benefits are derived.

In looking with rapturous gaze or hateful abhorrence at the enormous fortunes of our kings, barons, and lesser gentry, the startling fact has been lost sight of that these fortunes are mere titles to *revenue* and not to *property*. The law recognizes this fact clearly. The great John D. Rockefeller, ruler of the great Standard Oil and all its domain, has no more title to any part of the property of the great corporation of which he is the master than the poorest elevator boy employed in one of its buildings, and should he attempt to appropriate a dollar's worth of it by using it for himself, the law will treat it as a case of conversion, or larceny, of somebody else's property.

And let no one say that this is mere legal formality. *Legal forms always express economic realities.* Sometimes they survive their substance and become mere *empty* forms. In such cases they are records of past economic realities. When they are not records of the past they always express *present reality*. In this case the form is full of substance. It not only expresses a present reality, but, as it happens, presages the future. As yet the collective form substituted by the capitalists is crude and undeveloped as to form, and the collective bodies are still "private," that is, the benefits derived therefrom are enjoyed by private individuals. The proper distribution of the benefits, that distribution which is suited to the new form of ownership, which in itself is only an expression of the new form of production, will follow as

surely as harvest follows the planting of the seed. This work of readjustment of the mode of distribution to the new mode of production and ownership, and the full development of all the three processes to the limit of their capacities for the benefit of all members of society, will remain for the fully developed, organized and educated working class. But in the preparatory work of transition, particularly in the ruthless destruction of all the elements of the old social system, our friends the enemy have rendered, and are rendering, signal service. In their mad effort to escape their fate the capitalists are only *cheating the gallows* by committing suicide.

## CHAPTER IX.

### THE PROLETARIAT AND THE REVOLUTION.

We now come to consider the *active* factor of the revolution from capitalism to socialism,—*the Proletariat*. It may be stated without any fear of contradiction that this question of the role of the proletariat in bringing about the transformation from capitalism to socialism, and how and under what circumstances it will execute this role, in which last is included the question of the so-called breakdown of capitalism, is the real bone of contention between the so-called old-school Marxists and the Revisionists; this being merely the reverse side of the question of the Social Revolution, and all other questions are only tributary to it. As was already stated before, the purely theoretical questions of philosophy and political economy are not the proper field of Revisionism, and these theories are drawn into the discussion only in so far as they have, or are believed to have, any bearing on the present question. The paramount question of revisionism is: *Who* is going to bring about the transformation from capitalism to socialism, and *how* will it be done? Everything else is only interesting in so far as it throws some light on this subject. We have already shown in the preceding chapters the role which some of our social elements, those which may be called passive, will play in this transformation and how the ground will be prepared and broken. Now we will consider the active factor, its development and the conditions under which the work can be successfully done by it.

Before proceeding any further, however, attention must be called to a peculiar feature of the discussion on this sub-

ject, which is the result of a basic misunderstanding of the Marxian theory.

Almost all of the Revisionists proceed upon the theory, more or less clearly expressed, that Marx expects the transformation from capitalism to socialism to be effected by at least two independent causes: the economic breakdown of the capitalist system, *and* the revolt of the proletariat against capitalism. Some go even so far as to split up the second cause into two: the growing weight of the burden of capitalism on the working class, and the growth of the power of the working class. Each of them therefore attempts to argue against the allowance of that particular cause, the admission of which he thinks would interfere with the method of fighting for socialism which he believes to be the best. Most of them are vehemently opposed to Marx's supposed prediction of an economic breakdown of capitalism, the so-called *Zusammenbruchstheorie*, and try to prove that socialism will never be brought about by that "factor" and that we must, therefore, look to other factors if we want socialism. A good many of them are also opposed to the ascribing of any great importance to the increasing burdens of capitalism on the working class, the so-called *Verelendungstheorie*.

It is sometimes really amusing to see how they argue about these "factors" or causes as if these were absolutely independent of each other and could exist one without the other and without reference to each other. One of them, Rudolph Goldscheid, the latest in the field, has even managed to show that these various factors neutralize each other by working in different directions. And none of them has ever stumbled on the fact which is as clear as day-light to those who can see, that Marx presents only *one argument* showing only *one cause* for the transformation from capitalism to socialism—the economic development of society which evolves the economic conditions necessary for the change, and produces the social forces which will bring it about. The cause being one, its separate parts or aspects

must be considered with relation to each other and with a view to the whole, and cannot be understood unless so considered. Of course the different points involved may be taken up one by one, but always bearing in mind the rest. So when we will consider here any one of these points it will always be with a view to what we have to say on the points considered before or to be considered later.

In order that we may bring out clearly before our readers the different points made, we will consider them from two points of view: (first, as to how far Marx's description of the tendencies of development of capitalist society, in so far as they affect the conditions of the working class, is correct; and, secondly, as to what conditions of the working class *must* exist, according to Marx, in order to make it a proper vehicle for carrying out the historic mission which Marx ascribes to it. Before going into details, however, we desire to place before our readers the description of the transformation from capitalism to socialism traced by Marx himself in one of the finest passages ever penned by mortal hand: *Communist Manifesto*, p. 784-8

"As soon as the laborers are turned into proletarians, their means of production into capital, as soon as the capitalist mode of production stands on its own feet, then the further socialization of labor and the further transformation of the land and other means of production into socially exploited and, therefore, common means of production, as well as the further expropriation of private proprietors, takes a new form. That which is now to be expropriated is no longer the laborer working for himself, but the capitalist exploiting many laborers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the co-operative form of the labor process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by



their use as the means of production of combined, socialized labor, the entanglement of all peoples in the net of the world-market, and with this, the international character of the capitalist regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all the advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."

This passage which describes *one* process, clearly indicates that Marx distinguished three moments of that process which he evidently considered of importance: (1) The technical, and, so to say, purely material side of the process, the concentration and centralization of capital, which furnishes the technical and material (in the more limited sense of the word) basis of the future society; (2) The effect of the technical and material side of the process on the members of the society, particularly the working class, which creates the active force ready and able to make the change from the present system to the future; and (3) The resulting conflict of the technical and material side of the process and the needs of society in general and of the working classes in particular, which necessitates the change.

The first moment was considered by us at length in the preceding chapters, the third moment was already touched upon by us in a preceding chapter, and will be treated at length in the succeeding one; the second moment will be considered here.

Does the mass of "misery, oppression, slavery, degradation and exploitation" grow? The Revisionists say: No;

the condition of the working class is not getting worse but improving. And furthermore, say they, Marx is wrong in asserting that the growth of misery, etc., of the working class is necessary for the transition from capitalism to socialism. How — they ask — can a miserable, oppressed, enslaved, degraded, and exploited working class fight the battle and win the victory for Socialism? In support of their contention as to the actual condition of the working class they point to the facts, or alleged facts, that the hours of labor have shortened and the wages have increased since the writing of that passage by Marx; that the workingmen are better housed and better fed now than formerly and that pauperism is on the wane rather than on the increase. They make those assertions in a manner as if they were stating undisputed facts which require no proof to support them. As a matter of fact, however, these assertions are very far from stating undisputed facts. It is sufficient to mention some very recent literature on the subject, such as Hunter's "Poverty," Spargo's "The Bitter Cry of the Children," and the articles of Theodor Rothstein,<sup>1</sup> to show that the question of poverty among the working class is as yet a much mooted question. The truth is that appearances, particularly the appearances of statistical figures in certain reports, on which the revisionists mainly base their contentions, are very deceptive.

To begin with, there are intentional deceptions in a good many of our official statistics. As an illustration in point may be taken a statistical report or abstract sent out recently from the Bureau of Statistics in Washington. It was to the effect that during the financial year closed June 30, 1906, wages had increased one and a half per cent. in certain leading industries, whereas the cost of living had increased only about one-half per cent. This report is false on its face, and it does not require long research to find its falsity. It is

<sup>1</sup> Robert Hunter, *Poverty*. Macmillan, 1905. John Spargo, *The Bitter Cry of the Children*. Macmillan, 1906. Theodor Rothstein, in *Neue Zeit* (1906).

plainly based on false premises. To mention only one point: In estimating the cost of living the learned statistician based his conclusions on the prices of certain staples. It is notorious, however, that these staples form only a small part of the cost of living. In New York, for instance, from one-quarter to one-third of the cost of living is paid as rent. Rent has increased tremendously in New York during that period. And yet the increase of rent is not included by the learned statistician. Yet such intentional deceptions are of little importance when compared with the unintentional deceptions, owing to the deceptiveness of the facts themselves. The comparative welfare of the working population of a country is usually measured by the wages paid, where the cost of living is the same. But the height of his wages are by no means an index to a workingman's prosperity.

I shall not go into this question, however, now, for the reason that, as the careful reader has undoubtedly observed, *Marx does not speak* of the growth of the *poverty* of the working class. The omission of any reference to *poverty* is very significant in so careful a writer as Marx. This alone would be sufficient warrant for us in assuming that Marx did not consider the growing poverty of the working class a *necessary* result of the evolution of capitalism, all revisionist assertions to the contrary notwithstanding. But Marx did not leave any room for speculation on the subject, for in another place in *Capital* he states clearly and explicitly what he summarized here in a short sentence. He says there:

12.769  
 "The law by which a constantly increasing quantity of means of production, thanks to the advance in the productiveness of social labor, may be set in movement by a progressively diminishing expenditure of human power, this law, in a capitalist society — where the laborer does not employ the means of production, but the means of production employ the laborer — undergoes a complete inversion and is expressed thus: the higher the productiveness of labor, the greater is the pressure of the laborers on the means of employment, the more precarious, there-

fore, becomes their condition of existence, viz., the sale of their own labor-power for the increasing of another's wealth, or for the self-expansion of capital. The fact that the means of production, and the productiveness of labor, increase more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the laboring population always increases more rapidly than the conditions under which capital can employ this increase for its own self-expansion.

"We saw in part IV., when analyzing the production of relative surplus value: within the capitalist system all methods for raising the social productiveness of labor are brought about at the cost of the individual laborer; all means for the development of production transform themselves into means of domination over, and exploitation of, the producers; they mutilate the laborer into a fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil; they estrange from him the intellectual potentialities of the labor-process in the same proportion as science is incorporated in it as an independent power; they distort the conditions under which he works, subject him during the labor-process to a despotism the more hateful for its meanness; they transform his life-time into working-time, and drag his wife and child beneath the wheels of the Juggernaut of capital. But all methods for the production of surplus-value are at the same time methods of accumulation; and every extension of accumulation becomes again a means for the development of those methods. It follows therefore that in proportion as capital accumulates, the lot of the laborer, be his payment high or low, must grow worse. The law, finally, that always equilibrates the relative surplus-population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the laborer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time, accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i. e., on the side of the class that produces its own product in the form of capital."

This is perfectly plain: the lot of the laborer, his general condition as a member of society, must grow worse with the accumulation of capital, *no matter whether his wages are high or low*. His *poverty*, in the ordinary sense of that word, depends on the amount of wages he gets, but not his *social condition*. And for two reasons. In the first place, because the social condition of any man or class can only be determined by a comparison with the rest of the members or classes of that society. It is not an absolute but a relative quantity. Even the question of poverty is a relative one and changes from time to time with the change of circumstances. But the question of social condition can never be determined except by a reference to the other classes of society. This is decided not by the absolute amount of worldly goods which the workingmen receive, but by the relative share which they receive in all the worldly goods possessed by society. Thus considered it will be found that the gulf between the capitalist and the workingman is constantly growing wider. This is admitted by all as an empirical fact, and it has been proven by us in preceding chapters as a matter of theory.

This circumstance, that the welfare or misery of the working class must be considered and determined with relation to the wealth of society as a whole, and the share of the different classes therein, has been pointed out by Kautsky and Cunow. But Bernstein calls this "explaining away" the Marxian statements in Pickwickian manner, and points to the fact that Marx speaks also of "slavery, degradation, and exploitation." We confess that we cannot see the incongruity which Bernstein seems to see here. But we do see here once more how incapable Marx-critics are of grasping even comparatively simple points of Marxian theory. Franz Oppenheimer raises the point of the growing "exploitation" of the working class in a theoretical way. Says he: "Since Marx does not set a limit to the wages which may be paid except the profit of the capitalists, nor the depth to which the rate of profit of the capitalist may fall

except that it must permit the capitalist to accumulate, it is quite possible that the wages should rise to such an extent that the rate of profit of the capitalist should fall from say 10 to 0.001 per cent. In such an event"—he concludes triumphantly what he evidently considers a great argument—"‘exploitation’ would, of course, be of no practical importance, and the necessity of an economic revolution would be out of the question." One only marvels how a man of ordinary intelligence, not to speak of such an undoubtedly bright man like Oppenheimer, could have written down such an absurdity. Oppenheimer seems to have been so much impressed with the "fairness" of such a profit as the infinitesimal 0.001 per cent. that he forgot the little circumstance that in order that the rate of profit should fall to such an extent, and capitalistic accumulation continue with such a rate of profit, the amount of capital which a workingman must be able to set in motion, and the surplus value produced by him, must be so enormously large, that the "exploitation," as Marx understands the term, will not only be of "practical" importance but will actually be very much greater than it is with a 10 per cent. profit! This, by the way, is an additional illustration of the oft-repeated truth that facts or figures in themselves are absolutely meaningless and get their meaning only from their relation to other things.

The second, and chief reason, however, why the level of wages received by the workingman does not determine his social condition is that the high level of his wages does not in any way carry with it the security of his employment. And by this is not merely meant the fact that the *weekly* wages which a laborer receives is no index to his yearly earnings, by which alone his real income can be measured. Aside from this very important fact, which must always be borne in mind, there is the still more important fact that, no matter what the yearly income of the laborer is, the fact that he does not earn it by steady employment at 1-52 part of his yearly income, but by intermittent employment at

irregular and never-to-be-foreseen intervals, has in itself a determining influence on his social condition. It is this fact that makes the means of production in the hands of the capitalist a means of domination over the working class; it is this fact that turns the accumulation of capital into the accumulation of "oppression, slavery and degradation" on the side of the working class. The insecurity of the laborer's employment is the secret of the power of the capitalist class over the "free" workingman, it is the source of the mental and moral degradation of the working class which makes of them willing and obedient slaves, ready to kiss the hand that chastises them. For it gives the capitalist a far greater power over the life and liberty of the "free" workmen than was ever enjoyed either by feudal baron over his serf or by the slave-holder over his chattel-slave.

That is also the secret of the great power of attraction and the great social and cultural importance of the labor-union. It is not the increase in wages which it may bring about that makes it the great factor in the life of the working class which it is. It is not for that that the great modern battles between labor and capital are fought, no matter what their ostensible purpose might be. It is the protection from the grosser forms of arbitrariness on the part of the employer which it affords its members, thus increasing their security of employment, that forms the essence of the labor union; and it is for this that the great sacrifices are undergone by the workingman in fighting for the "recognition of the union" or in the "sympathetic strike," the two forms of fight most odious to, and least understood by, our "ethical" peacemakers between labor and capital, who would secure to each its "proper rights." Going out from the assumption that the workingman is nothing more than the beast of burden into which capitalism strives to convert him, they cannot understand why he should kick when the fodder in his trough is left undiminished. But the workingman knows instinctively the secret power of the chains which keep him in bondage, and he tries to break them, or at least

weaken them. He is not content to be converted into, or to remain, a beast of burden; he wants to regain his moral courage, his manhood; and he knows that this can only be gained by organizing a social power which would do away with or at least lessen the insecurity of his employment, the source of his slavery. Hence his fight for the union as such, which the good people cannot understand. But the capitalists understand it, hence their savage fight just at this point. They will pay higher wages, and work their men shorter hours, and grant a lot of other "*just and reasonable demands*," if necessary, but they want no union, or at least the open shop, for they want to remain "*master of their own house*." In other words, they are content to keep their slaves a little better, but they will fight to the last ditch against the tampering with the chains of slavery, against the installing of moral courage, the fostering of the spirit of manhood in their slaves.

This struggle between capital and labor is the other side of the shield which Marx has described. It is the growing revolt of the working class which, as Marx says, is disciplined, united, and organized by the very mechanism of the process of capitalist production itself. This is not an independent process working independently of the so-called "*impoverishment*" or, rather, increased-exploitation process which we have described before, as some Revisionists seem to think, but, on the contrary, accompanies it, and is partly its result. Nor is its effect necessarily or even usually such as to counteract the effects of the first process, as some other Revisionists, notably Rudolf Goldscheid, the latest writer on this subject, think. While the growth of the discipline, union and organization may do away with a good deal of the *poverty* of the working class by forcing higher wages and better conditions of labor, and would therefore have the tendency of suspending in whole or in part the "*impoverishment*" tendency of capitalistic accumulation, as that term is used by the Marx critics, it can have no such effect on the tendencies described by Marx. That is to say, it cannot



have the effect of removing the causes of the enslavement process; it cannot secure employment for the working class; it cannot suspend the operation of the economic laws which create an over-population, a reserve army, although it can organize rationally the distribution of the employment that there is, thereby palliating somewhat the sharpness of the economic process. But it can counteract the results of the economic process on the psychology of the working class. In the breast of the slave who is riveted to his master capital there still may develop the spirit of a free man and the courage to fight for freedom. The discipline, union, and organization of the working class cannot give him any freedom under capitalism because the economic conditions enslave him to capital, but they enable him to fight for some liberties while in slavery and for better conditions of servitude. This fight, however, in itself develops the desire for ultimate freedom and educates the workingman to an understanding of the causes and the conditions of the struggle, thus making of him an active and intelligent opponent of the present order. At the same time the struggle must be growing more intense as time passes on. For the fight only affecting the results of the downward tendency, and being powerless to remove its cause, whatever gains are made cannot be kept unless the fight for them is kept up, and the fight must be intensified as the tendency increases. Hence the *growing revolt* of the working class of which Marx speaks. Hence, also, the absurdity of the passage quoted below from Rudolf Goldscheid's very recent booklet: "Impoverishment or Amelioration Theory?" which forms a new departure in Revisionism. This latest manifestation of Revisionism is in effect an admission of the fiasco of the old-style Revisionism, and proceeds in different manner. But only the form has changed; the substance, however, remained the same. Particularly the metaphysical way of looking at things from their formal, stagnant, so to say, separatist, point of view, and the failure to see the inner connection between them while in motion. So says Goldscheid:

“First of all there can be no doubt that, no matter how much alike the purely economic tendencies and the psychological counter-tendencies evoked by them may be in forcing the development toward socialism, there still exists a certain antagonism between them. It is quite possible, for instance, that during long periods of time the psychological counter-tendencies may not be strong enough to exert any considerable influence on the purely economic tendencies, the concentration of industrial undertakings, the accumulation of capital, and the impoverishment of the masses. Where the circumstances have thus shaped themselves the hope for socialism lies principally in the economic tendencies. It is different, however, where the purely economic process has an equally strong psychological process to counter-balance it. There the growing accumulation of capital in the hands of the capitalist class will be accompanied by the growing political and economic power of the working class. And this growing political and economic power of the working class will manifest itself by checking more or less effectively the purely economic process of concentration and especially the process of impoverishment. Whoever, therefore, desires to uphold the Marxian theory of concentration and accumulation to its full extent in the face of the daily power of the organized proletariat, does not realize that he has undertaken a quite hopeless task: For he asserts that the purely economic tendency of the capitalistic mode of production necessarily produces psychological counter-tendencies, and at the same time denies to these psychological counter-tendencies any real influence. It is therefore evidently very unwise in the socialist theoreticians to continue to expect the expropriation of the capitalists through the independent action of the inherent laws of capitalist production. On the contrary, the psychological counter-tendencies must paralyze the purely economic process with increased vigor and with the force of a natural law; that is to say, the breakdown of the capitalist system by its own weight must be steadily removed further and further from the realms of possibility.”

The question of the breakdown of capitalism will be treated later, as already stated. But we want to point out here in addition to what we have already said, the dualism of the conception which regards the economic conditions and

the psychological effects which these conditions produce upon the workingman, as two independent motive powers, working not only without each other but neutralizing each other; the inability to grasp the process in its entirety and in its oneness, to see the monism of the process.

We also want to call attention here to the fact that the learned Marx critics who insist that by accumulation of misery as one of the tendencies of capitalistic accumulation, Marx meant the accumulation of poverty, and then try to disprove such tendency by pointing to the supposed ameliorated condition of the working class, fail to take into account the fact that whatever amelioration there is was brought about by the struggles of organized labor, which Marx also predicted. The present condition of the working class is not merely the result of the *tendencies* of capitalistic accumulation, but of the tendencies of capitalist accumulation as modified by the struggle of organized labor against them. So

much for Marx's proper prognosis of the tendencies of capitalism. As to the effect of amelioration on the evolution to socialism, such amelioration, if any there be, would only be significant if Marx had expected the advent of socialism from a net result of poverty; that is, if there were something in poverty itself which were favorable to socialism, an idea which no Revisionist has so far ascribed to Marx. But as we have seen, it is this very struggle for amelioration, no matter what its immediate result during the progress of the struggle, that is the most important factor from the Marxian point of view in the final overthrow of capitalism, in so far as the active force which is to do the work is concerned.

While the spirit of revolt is growing and maturing in the working class this class evolves a new ideology. Living in constant struggle with the capitalist class and capitalist institutions which must array themselves in the struggle on the part of the capitalist class, the workingman learns to hate these institutions and the whole ideology of the capitalist class. Being thrown on his own resources, he begins

to think for himself, to form his own ideology. But every ideology must have its base in the material conditions under which it is formed. The new ideology is based on and is the reflection of the new economic forces, the socialized means, modes and methods of production and distribution, and the growing collective control over them. His ideology is *collectivism*. In forming his ideology he is aided, on the one hand, by the very form of his struggle against the old order, which is the collective mass struggle, and the benefits derived therefrom which can only be enjoyed while acting collectively and when organized in accordance with collective principles, and the well organized and developed democratic forms of government and activity; and on the other hand, by the dissolution of the old ideology in general, and in particular by its abandonment by the middle class, the class with which the working class comes into closest contact.

At the same time the working class is steadily advancing in economic power and independence in the sense that it takes possession of more and more responsible positions in the economic life of the nation, diverts to itself, by means of the corporation and otherwise, all the growth of the concentration and centralization of capital; and particularly with the development of the corporate form of economic activity, the capitalist class abdicates its functions, the proper functions of a ruling class, those of economic management, into the hands of the working class.

*The working class thus not only becomes revolutionary in its ideas, desires and aspirations, but it has the organized power to carry the revolution into effect, and is fully equipped to take hold of all social and economic activities and functions the day after the revolution, and carry them on successfully.*

## CHAPTER X.

### THE SOCIAL REVOLUTION.

We are now at the central point of Revisionism, the point from which everything else in the theories of the Revisionists radiates and to which everything in their arguments gravitates. The *casus belli* which moves all their hosts—the *Social Revolution*. The red flag of the social revolution is *the* red cloth the sight of which none of them can bear. Whatever their disagreements, and they are not few, they are all agreed that the social revolution *wouldn't, shouldn't* and *couldn't* come. Struve proves it philosophically, Tugan-Báranowsky proves it economico-mathematically, Oppenheimer proves it sociologically. Bernstein proves it by a composite method which cannot easily be classified, and the rest of them in any old way.

What is this social revolution which has thus aroused them? It is not, of course, the fact of the change from the capitalist to the socialist order. They all, or almost all, believe in that, in some form or other. It is the particular form or manner in which it is to come about, according to the Marxian teaching, to which they object. It is the implication of the suddenness of the change, and the violent manner in which it will be brought about as the culmination of a struggle, that arouses their opposition. The change could, should and would come in all imaginable ways, but none of them will be sudden or violent. For they are all violently opposed to violence. And not only physical violence, but any kind of violence or disturbance. Therefore, socialism will come, according to their notion, as a gradual enlargement or a gradual diminution of capi-

talism, but never as an overthrow, more or less sudden, more or less violent, physical, social or economic, as Marx imagined it.

Marx says that the centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist shell. This shell is burst asunder. The knell of capitalist private property sounds. "The expropriators are expropriated." This, says Struve, is too sudden, and is philosophically quite impossible. There is no philosophic way in which the sudden transformation of one social order into another could be explained, no logical method by which it could be reasoned out. Hence it could not take place. "The continuity of every change, even the most radical, is a necessary cognito-theoretic and psychological postulate of its comprehension. The evolutionary principle takes a position analogous to the law of causation: it is a universally valid form in which we must picture to ourselves the radical changes of things in order to comprehend them. Of the content and the causality of the change the evolutionary principle tells us nothing: it only gives us its form, and this form is—continuity. The old maxim: *natura non facit saltus* should, accordingly, be changed into: *intellectus non potitur saltus.*"<sup>1</sup> All of which may or may not be true. We are not sufficiently concerned in the subject to undertake to decide that question here. For ourselves we hope it is not true, but if it be true, let the theories of cognition and psychology look out for themselves. The maxim: *natura non facit saltus*, in so far as it is still part of our scientific apparatus, simply means that nothing happens without any cause, but when there is sufficient cause therefor nature does leap. As a matter of fact sudden leaps are almost as frequent in nature as are slow changes, and the figure used by Marx, that of a bursting shell, may be considered its most common and most perfect example. Fur-

<sup>1</sup> Peter von Struve, Die Marx'sche Theorie der sozialen Entwicklung. In Archiv für Soziale Gesetzgebung und Statistik (1899).

thermore, it does not in any way interfere with the evolutionary principle, to which Struve does, in our opinion, great injustice by reducing it in reality to mere *slowness*, for such violent leaps as the bursting of shells do not by any means interfere with the *continuity* of the process, as Struve seems to think. On the contrary these violent leaps are part of the evolutionary process and constitute its culminating point, as well as the starting point for a renewal of this process, in all higher forms of life. The natural sequence of events being such, a theory of cognition *must* be able to explain it to our comprehension, and to say that some theory which styles itself a theory of cognition cannot do that is simply another way of saying that it is not a theory of cognition.

Another "philosophical" objection which Struve advances is supposed to be based on the Materialistic Conception of History, which he feels himself called upon to protect against Marx. According to the Materialistic Conception of History, says Struve, it is impossible that the legal forms which make up the social system should become so entirely incompatible or antagonistic to the forms of production as to cause a breaking up of the whole system. For, that theory, properly understood, requires that the legal forms should continually adjust themselves to the material conditions, as they change, and it would be an infringement on the power of the economic forces to suppose that they should not change the legal forms as they go along. We shall not enter here into a long discussion to prove that Struve has not "properly understood" the Materialistic Conception of History. We will simply say that if Struve has understood it properly then the Materialistic Conception of History is sadly in the wrong. For the fact, of which there is abundant historical proof, is, that legal forms become quite antagonistic and absolutely incompatible with economic conditions and that very serious and violent disturbances result therefrom. No amount of reverence for the "economic factor" can blind us to the

sad truth, that that much-abused worthy is not quite as all-powerful as some of his would-be admirers would have us believe, or, at any rate, that his influence is not quite as direct, and therefore does not work quite as smoothly, as they imagine. Besides, in his touching care for the Materialistic Conception of History, Struve has entirely forgotten the fact that, according to Marx, the economic conditions of the capitalist system are themselves a mass of contradictions, and could not therefore result in a smoothly working legal or political system.

It was evidently with the intention of eliminating some of the absurdities which the purely philosophic opponents of the Social Revolution had to resort to in their argument, that Rudolph Goldscheid constructed his theory of the so-called "Sociological Wave." This theory is quite cleverly constructed, and is evidently designed to present an argument against the possibility of the social revolution, without the use of some of the grosser errors of his predecessors. This theory recognizes most of the Marxian premises, and therefore sounds plausible. It consists in this:

The tendency of the accumulation of capital is, as Marx says, towards increasing the misery of the working-class. At the same time this accumulation has also the tendency to organize the working-class, as Marx has also clearly stated. This results in a struggle between organized labor and the capitalists, the class struggle on which Marx lays so much stress. In this struggle, the fortunes of war alternate, giving victory now to the one side and now to the other. When the tendency of capitalistic accumulation has gone very far in reducing the condition of the working-class, this engenders the revolutionary feeling of the proletariat, who put up a strenuous fight until they gain a victory substantially bettering their condition, usually putting them on a higher plane than they ever were before. This better condition lasts for some time until the capitalists, driven to it by the lash of competition, turn on the screws and attempt to enforce the tendency of capitalistic accumula- ✓



tion and reduce the condition of the workingmen to their former level. In this they succeed only partly, for when the workingmen have reached a higher level of well-being they utilize it to strengthen their organization, obtain more knowledge and intelligence, and the spirit of revolt is aroused in them long before the former low level of their estate is reached. Their resistance is intensified, and the fight on their part does not slacken until they reach not only the high level which they formerly occupied but until they make new conquests, placing themselves on heights never yet before reached. This they are enabled to do because the spirit of revolt which is aroused in them by the pressure of economic tendencies succeeds in constantly *limiting and checking the economic process and diverting it from its natural course*. So that "the social evolution moves in a wave-like course, which has this peculiarity: No matter what relation the hill and dale may have to each other, the crest of each succeeding wave reaches, as a rule, a higher level than any preceding one." The waves will finally run so high that their crests will reach into socialism: the prospect of a social revolution is successfully banished.

The whole thing sounds so plausible, the argument so much Marxian, and the picture of the rising waves is so beautiful, that one is almost tempted to overlook the fact that there is absolutely no warrant in the whole argument for the assumption so unceremoniously made that the spirit of revolt engendered in the working class by the hardships and misery of capitalistic accumulation succeeds in *constantly limiting and checking the economic process* while the capitalist system lasts. And yet it is on this assumption that the whole thing rests! With this assumption out, the whole argument against the social revolution as Marx conceived it, with bursting of shell and all, falls to the ground. We are not disposed to quarrel with the author of the "sociological wave" in so far as the same does not put forward any higher pretensions than to give us a descrip-

tion of the bettering of the condition of the working-class under capitalism in so far as the same is possible under the laws governing capitalist production and accumulation. That is to say in so far as it affects the question of the *impoverishment* of the working-class. And in so far it does not in any way contradict the Marxian theory. It is quite different, however, when it comes to the abolition or limiting of the economic laws by "psychological tendencies" in the peaceful movement of the "sociological wave." Before we can accept his statements we must carefully examine into the question whether the tendencies of modern development do or do not *limit* the laws of capitalist production and accumulation, and if they do whether such *limitations* can abolish the whole capitalist system by degrees and transform it into a socialist system without the bursting of any shells. This brings us back to the purely economic question of the possibilities of capitalistic development, and the theories of the "expansion," "adaptation" and "adjustment" of capitalism brought forward by the Revisionists.

In an earlier chapter of this work we discussed at length the economic contradictions of the capitalist system. We concluded our examination with the statement that the great problem of capitalist economics is the disposition of the surplus-product created continually under that system. It is the inability to dispose of that product that is the chief cause of the temporary disturbances within its bowels, and which will lead to its final breakdown and replacement by the socialist mode of production and distribution.

The Revisionists with Bernstein at their head question the correctness of these conclusions, both as regards the crises within the capitalist system as well as with regard to its ultimate breakdown. Bernstein has nothing definite to say as to the cause of economic crises in the capitalist system, except to inform us that much could be said and has been said on either side, and that people who are interested in analogies might find very interesting analogies

between the theories on this subject and some other interesting subject. As to the Marxian theory of crises Bernstein has again nothing more definite or instructive to say except that Marx, as usual, contradicts himself in the most flagrant manner, and that the explanation of this contradiction is to be found, again as usual, in the fact that, as is very usual, and, indeed, unavoidable, some time has elapsed between the writing of the contradictory passages. The only unusual thing about this very enlightening information is the correct statement that the passage contained in the earlier volumes was written much later than that contained in the third volume; a statement which must confound his friends who have been writing very learned disquisitions on the *development* of the Marxian theory, based on the contradictions between the earlier and later volumes of Capital, which were to be explained by the fact that the *third* volume was the fruit of Marx's *later* and *riper* judgment. As to the subject-matter itself the reader is left absolutely in the dark as to what either the Marxian or the Bernsteinian theory of crises (if there be such) may be. It is very evident, however, from what he does say that he is himself very much in the dark on the subject. This does not prevent him, however, any more than a similar groping in the dark prevents his friends, from giving instruction on the subject, and from *revising* a theory which he does not understand.

The sum and substance of the argument against the Marxian conception of the tendencies of capitalist economic development put forward by Revisionism, amounts to this: The contradictions observed by Marx are not inherent in capitalism, as Marx supposed, but are merely connected with, and are the result of, a certain *form* of capitalism, to wit: capitalism in its early stages, when private enterprise with its resultant anarchy of production were predominant. As soon, however, as the anarchy will be eliminated from capitalistic production, and that anarchy *will* be eliminated by the organization and systematization of pro-

duction through the modern trusts and other industrial combinations, crises will be abolished, particularly in view of the apparently boundless possibilities of the *expansion* of capitalist markets by the aid of modern imperialism. And as the final breakdown of capitalism, or social revolution, is nothing more than a big crisis, the possible danger of a revolution is averted the moment the cause of crises is removed. The basis of fact for this argument is furnished by the circumstance that the law of the periodical recurrence of economic crises insisted on by Marx was apparently broken through by the modern trusts with the aid of Imperialism, and the crisis which was due at about the beginning of this Century was successfully kept out by them.

Before proceeding any further we shall have to examine the Marxian theory of crises, and the connection in which crises *within* the capitalist system stand to the ultimate breakdown of the system as a whole, and then examine the facts of the latest developments of capitalism as to their bearings on each.

According to Marx there are two distinct causes of crises: One is the separation of the act of exchange of commodities into two separate acts, the exchange of commodity A for money and then the exchange of that money for commodity B, by the introduction of money as the universal commodity and general repository of exchange-value. By dividing the act of exchange into two separate and independent acts, disconnected in point of time, the *possibility* of crises is given. For, should the interval between the two acts be too long the wheels of production will stop, the market will become overloaded with goods, and a crisis will result. This possibility turns into a probability because of the peculiar character of money as the universal commodity and special repository of exchange-value which makes it a very much coveted good, as it is only in that form that value is realized and remains real. Of course, capital is anxious to fulfil its function, the cre-

ation of surplus-value, and in its anxiety to create surplus-value it takes the risk of having the value crystallized in itself transformed into such form where the value realized in it may again be called into question and be partly lost. But with all that capital is essentially cowardly, and the least disturbance frightens it and makes it withdraw into its shell. And a disturbance arises each time there is a disproportion of production, which is a common occurrence under our system of private production and competition. This probability, again, is intensified by our credit system, which on the one hand makes capital extremely sensitive to disturbances and increases its natural cowardice, and on the other opens up great vistas of gain by speculation and jobbery through panics and crises.

Such crises, that is crises chargeable to the circulation process of commodities, are of course due to the "anarchy of production," and will disappear with the disappearance of that anarchy, assuming that the latter may disappear while the capitalist system lasts. Assuming therefore that the trusts and industrial combinations can abolish this anarchy and regulate production, the Revisionists are quite right in asserting that no commercial crisis will occur again on that account. Their mistake lies in assuming that the "anarchy of production" is, according to Marx, the only cause of commercial crises. As a matter of fact the cause mentioned by us above is not only not the *only*, but not even the *chief* cause of crises according to Marx. This could be determined as a mere matter of logic, that method of determining economic and sociological questions which is so dear to the heart of some Revisionists. For, the "anarchy of production," in its very nature and essence an irregular factor, could not possibly be the cause of *regularly recurring* crises. But Marx does not leave any room for doubt to what is, in his opinion, the chief cause of crises under capitalism.

This cause is the inherent contradiction of that system which we have already pointed out before, the dual posi-

tion of the laborer as a seller of his labor-power and a purchaser of the products of his labor-power, and the creation of a surplus-product flowing therefrom which must result in an over-production of commodities quite apart from the "anarchy of production." It is to this *constant* factor, the constantly accumulating surplus-product, that the *constancy* with which crises recur is due. It is to this that the *industrial cycle*, the periodical recurrence of prosperity and stagnation, is due. And this recurrence of prosperity and stagnation, that is to say, the inability to continually carry on production on that plane which the productive forces of society permit and require, is the foundation of the Marxian theory of crises. The fact, therefore, pointed to by Revisionists, that, as Tugan-Baranowsky has shown in his History of Commercial Crises in England, the *cycle* has now assumed another form, that instead of feverish activity preparing the way for a sudden crash there is now a gradual tide and ebb of prosperity and stagnation, is not a refutation of Marx but a confirmation of the correctness of his analysis of capitalistic production. This fact, which is ascribed to the regulative influence of the modern trusts and combinations, proves conclusively that neither trusts and combinations nor any other regulative influence can abolish crises, because it cannot abolish the chief cause of crises — overproduction, which does not depend on the lack of regulation of production but is inherent in the capitalistic mode of production. Trusts and combinations, if they can do anything at all, can only affect the form which the crises may assume, whether they should be short and acute as formerly or mild and long-drawn-out as now, but no more. This is acknowledged even by Tugan-Baranowsky himself.

Some Marx-critics seem to derive some comfort from the fact that, owing to the regulative influence of modern industrial combinations, crises have ceased to be as acute as formerly. We fail to see wherein a long period of stagnation is any better than an acute crisis. That is,

from the workingman's point of view. As Tugan-Baranovsky himself points out, the change in the character of the industrial cycle has benefited only the capitalist class, and the position of the working class has become much worse for it.

Of course the chief reason for their exultation over this change, or at least that of some of them, is their belief that the doing away with the acuteness of crises does away with the possibility of the occurrence of the great and final crisis, the social revolution, which they cannot imagine otherwise than as a sudden crash. But this cataclysmic conception of the breakdown of capitalism is not part of the Marxian theory, and has, at any rate, nothing to do with his theory of crises. The disappearance of the acuteness of commercial crises does not in any way affect their revolutionary influence, if their influence be necessary for the coming of the social revolution. For the remedy is worse than the disease as far as its influence on the condition of the working class is concerned, except, of course, to the minds of those who imagine the great revolution as the work of a hungry and desperate mob driven to distraction and destruction by the immediate lack of work, food and shelter. The mildness of the change from one phase of the industrial cycle to the other does not lessen the mass of misery produced by it, nor does it indicate any lessening of the contradictions of the capitalist system of production; it does not therefore affect the probabilities of a social revolution, except if we imagine it as a sudden cessation of all economic activity. The real question therefore is, not whether crises have become less acute in form but whether the economic contradictions which produce them have lost any of their acuteness. This brings us to the question of the *adaptability* and *expansiveness* of the capitalist system of production.

That capitalism has obtained a new lease of life by embarking on the sea of Imperialism is assured by the Revisionists, although none of them ever attempted to care-

fully examine into the question in order to ascertain whether there was any basis of fact for such assumption, and if the assumption was correct how long such new lease would last. Bernstein declines at the decisive moment to commit himself. True to his nihilistic-opportunistic instinct he leaves the question an open one, which does not, however, prevent him and his friends from holding language as if they had squarely met the issue and settled it.

A careful examination of the question will show, however, that, both as a matter of abstract reasoning and as a matter of concrete fact, Imperialism cannot save the capitalist system, although it undoubtedly may prolong its existence. If the Marxian analysis of the capitalist system of production is correct, and that system does suffer with the inherent malady of ever increasing overproduction because of the ever increasing diminution of the share of the workingman in the product of his labor, then it follows as a logical conclusion that the mere *extension* of that system to new fields cannot save it, for the system would then carry with it its fatal malady to these new fields. And it is to a mere *extension of the capitalist system* that Imperialism reduces itself in the last analysis. For it must be remembered that capitalism cannot open a new market for its products without making the new territory part of its own system of production. It is the curse of capitalism that by the very processes with which it creates its new customers for its goods it makes of them competitors in the business of producing these goods. Therein lies the difference between the old and the new forms of colonization. That is why colonial dependencies, colonial empires in the old sense of the word, are no longer possible, except as a temporary and passing stage. Of course while this stage lasts it is of some relief to the *mother* country suffering from being *heavy* with surplus-product. But the infant colonies grow very rapidly, and with the ripening age of capitalism the offspring develop marvelous pre-



sciousness, and soon serve only to "extend" the seriousness of the situation.

The facts verify this reasoning. But before examining the facts we must again pay our respects to that bright light of anti-Marxian economic literature whom we have already had occasion to mention before—Prof. Tugan-Baranowsky. With that insight of the true scholar which so favorably distinguishes him from the rest of the Revisionist host he saw that the Marxian theory cannot be overthrown by such indefinite and meaningless talk as that of "adaption," "extension," or "expansion." That the Marxian theoretical edifice is too solidly built and is too finished a structure to be vulnerable to such mode of attack. That it can be successfully attacked, if at all, only at its foundation and only by using the methods employed in its construction. He therefore attempts to show by an analysis of capitalistic production that the Marxian conclusion of a necessary over-production does not follow. The result of his efforts is a theory of "distribution" of production, according to which if production is "regulated" in such a way as to always produce a certain, ever increasing, share of the total yearly product in the form of "means of production," then no over-production will ever occur. I have somewhere else shown that this theory is an utter absurdity. But nevertheless it cannot be denied that this theory is the only scholarly attempt on the part of any Revisionist to disprove the Marxian theory of crises and over-production. That Tugan-Baranowsky failed in his attempt was not his fault, but his fate. And the fact that the theory so laboriously constructed by him is sheer nonsense makes his fate the more tragical. For Tugan-Baranowsky is not only an acute theoretician but also a keen observer of the facts of life. But, as I have stated somewhere else, he suffers with the malady of his age: a sickly yearning for the "ethical," and a hysterical hunt for the "practical." The yearning for the "ethical" drove him away from the "unethical" Marxian system,

and, left to drift without the sure guidance of an all embracing theory, he clings to the isolated facts of existence which obtrude themselves upon his keen vision.

The facts upon which Tugan-Baranowsky constructs his theory are the same facts to which we alluded above as confirming our theory. They are: that the area of capitalism expands, and that production, in so far as the goods produced are concerned, has so changed that the principal goods produced now by the leading capitalist countries are machinery and other "means of production," instead of consumable goods as was formerly the case. From these two facts Tugan-Baranowsky concludes that it is a law of capitalistic development that the quota of consumable goods in the yearly product of society should constantly grow smaller and the quota of "means of production" as constantly increase; and that if the proper proportion is always observed no over-production can ever occur.

Is this conclusion correct? Most emphatically, no! Tugan-Baranowsky sees the immense masses of "means of production" produced annually by the leading capitalist countries, and he stands in awe of this great *fact*. A little less respect for "fact" and a little more respect for theory would have made him ask for the *why* and the *wherefore*. It would also have made him look for the *connection* between this fact and other facts. And first of all he would have taken notice of what was being done with these "means of production." Had he done so he would have observed that these immense masses of "means of production," with some exceptions which will be noted later, *are not used in the capitalistic countries in which they are produced*. They are produced in the capitalistic countries and *exported* into countries which are only in the process of *capitalization*, so to speak. He would then have understood that the surplus-product in capitalistic countries has so far not clogged the wheels of production permanently, not because of the clever distribution of production into the different spheres, not because of the change from the pro-

duction of consumable goods to the production of "means of production," but because the capitalistic countries have so far, owing to the fact that some have developed capitalistically earlier than others, and there still remain capitalistically undeveloped countries, had an outside world into which they could dump the products which they could not themselves absorb, whether those products be cotton or iron goods. This does not, by any means, mean that the change from cotton to iron goods, as the leading product of the foremost capitalistic countries, is of no significance. On the contrary, it is of the greatest importance. But its significance is entirely different from that ascribed to it by Tugan-Baranowsky. *It shows the beginning of the end of capitalism.* As long as the capitalist countries exported goods for consumption there was hope for capitalism, within those countries. There was no telling, then, how great the capacity of the non-capitalistic outside world for the consumption of capitalistically produced goods would be, nor how long it would last. The growth of machinery in the export from the foremost capitalistic countries at the expense of consumption-goods shows that spheres which were formerly outside of capitalism, and therefore served as a dumping-ground for its surplus-product, are drawn into the world of capitalism. That as their own capitalism develops they produce their own consumption-goods. Now that they are in the initial stages of their capitalistic development, they need the capitalistically produced machinery. But soon they will not need this either. They will produce their own iron-goods just as they now produce their own cotton or other consumption-goods. Then they will not only cease to be a receptacle for the surplus-product of the now only capitalistic countries, but they will produce a surplus product of their own which they will find it hard to dispose of.

There are other things which Tugan-Baranowsky might have observed had his vision not been obstructed by the details of capitalistic practice. Things, the observation of

which would have given him a glimpse of the "true inwardness" of the latest phase of capitalistic development. He would have noticed, for instance, that a tremendous amount of the "means of production" which are produced in capitalistic countries and are not directly exported, is used within those countries in such a manner, that is, in effect, equal to export. Such are the building of trans-continental railroads, interoceanic canals, and steamship lines designed to serve as an incident to the export of products from capitalism into the non-capitalistic or half-capitalistic world. Furthermore, in so far even as such "public improvements" are used wholly within the limits of capitalism (and a tremendous amount of the "means of production" is used for such purposes), they have the peculiar effect of removing large quantities of surplus-product from the market, at least temporarily. It is the peculiar nature of such means of production that their usefulness or uselessness can not be definitely ascertained until fully completed and operated for some time. The result is that immense masses of such "means of production" are constantly produced without any actual necessity therefor, and often for purely speculative purposes. While these "means of production" are being produced, and it takes years to complete them, the wheels of capitalistic production revolve merrily, without hitch or stop, notwithstanding the fact that the work may be absolutely useless in whole or in part, and that the value supposed to be created in their production, or at least a large part thereof, will never be realized. The wisecracks of capitalism, like Tugan-Baranowsky, listen to the siren-song of these merrily revolving wheels, and draw in their imagination alluring pictures of the endlessness of capitalism wound around an endless chain of "means of production." Of course, there is bound to come a rude awakening. The production of these particular "means of production" turns out to be the merest waste. But that is another story . . . . .

In order to appreciate the importance of this point (and

this point applies equally to "means of production" of this nature, whether used within the limits of capitalism, or exported for use outside of it), we need only refer to Tugan-Baranowsky's own "History of Crises in England." The facts brought together in that book, in so far as they relate to the latest phase of capitalism, that now under consideration, teach a remarkable lesson. This lesson can not be missed by one who contemplates the whole picture there represented, but could not be learned by Tugan-Baranowsky, who saw only the details of the process by him described. His theory of the "distribution of production" is the result of his having missed the great lesson which that book teaches, and that is, that THE CAPITALIST SYSTEM LIVES AND THRIVES BY WASTE.

In speaking of the first "modern" crisis, that of 1857, Tugan-Baranowsky says in his History of Crises:—"The peculiarities of the crisis of 1857 find their explanation in the world-character of that crisis ..... The characteristic difference between the crisis of 1857 and those of 1825 and 1836 consisted also in the fact that this crisis fell most heavily not on the *cotton* industry as the former ones but on the *iron* industry. In this the new feature of the capitalistic mode of production found its expression,—the increased importance of the part played by means of production on the world-market as well as in economic life generally. The stagnation of trade usually moves the industrialists to look for new markets for the disposition of their goods. In this respect the crisis of 1857 had a very strong effect. The exports from England to the United States fell from nineteen million pounds sterling (1857) to fourteen millions (1858); the exports from England to the East Indies, on the other hand, rose from 11.7 millions pounds (1857) to 16.8 millions pounds (1858). In order to recuperate from the blows which it received on the European and American markets English capital migrated to Asia. In the East Indies began an epoch of railroad building, and of the improvement of inland ways of

communication, which had the effect of increasing there the demand for English goods."

We can not repeat here the detailed statement of the crises that followed that of 1857 until the present day, but a careful examination of this very interesting part of Tugan-Baranowsky's book will prove very instructive. Briefly stated, all these crises were brought about by over-production of "means of production," particularly of the most lasting and staple means of production, those which it takes longest to produce, means of communication and public improvements. The typical crisis occurs in about the following manner:

The starting-point is the preceding crisis. As Tugan-Baranowsky says in the passage just quoted: "The stagnation of trade usually moves the industrialists to look for new markets for the disposition of their goods." And as he has also observed, these goods consist mostly of means of production. In other words: after a crisis there is a superabundance of capital which is seeking employment. As the ordinary fields of occupation, particularly at home, are well filled, the capitalists look for some new fields wherein their capital could be profitably employed. Knowing that it would be useless to manufacture some new consumption-goods, or some machine for the purpose of manufacturing such goods, for the reason that the capacity of our society for consumption is limited, they start out to create new demands by creating new civilization. Civilization has proved a good customer, and capitalists turn to it instinctively whenever hard pressed. So the iron threads of civilization begin spinning at home and abroad, but mostly abroad, the missionary spirit of capitalism being well known. This creates a demand for vast amounts of capital and labor. Things begin to hum,—the prospects are bright. The markets are relieved of the surplus-product which clogged the wheels of production, and trade has revived. An era of prosperity has set in. The more crazy the "civilizing" undertaking, particularly the longer it takes to finish it,

and obtain results, the greater the prosperity and the longer it lasts. But the undertaking has to be finished some day, and the harvest must at last be gathered in. Then it is discovered that the undertaking was a failure. The railroads, it turns out, were not necessary where they were built, for they have nothing to carry when they are ready for business. The undertaking goes into liquidation. The vast amounts of capital, the glorious piles or stretches of means of production, now represent so much waste, for capital which does not pay dividends is not capital according to capitalistic laws. Then the crisis is on—things go to smash all around. The crisis is not limited to those interested in the particular undertaking. First, because the ramifications of modern capitalistic undertakings are so extensive and complicated, particularly by reason of our credit system, that no serious break can occur anywhere but that the whole system will crumble to its foundations. Secondly, because the large number of men employed in producing the defunct “means of production” are now thrown out of employment, thereby weighing heavily on the labor-market and demanding charity from their masters. And thirdly, because the apparent prosperity incident to the continued production of the large “means of production,” has caused a general rush of production to an unwarranted extent, even in spheres which are not in any way directly connected with the particular undertaking which brought about the prosperity ..... and the crisis.

The deductions which Tugan-Baranowsky himself makes from these facts are very curious and furnish a good object lesson in the mental pathology of our age. We can not, however, pursue this branch of the discussion here any further. We hope to resume this very interesting discussion some other time. For the present we will try to make some deductions on our own account, as far as they may be pertinent to our subject proper. The first irrefutable deduction which presents itself to our mind, not only from

the facts adduced by Tugan-Baranowsky, but also from his own statements, is that his theory, the perpetuation of capitalism by means of the proper "distribution" of production, is the veriest rot. Prior to 1857 a change occurred in the "distribution" of the production of the chief seat of capitalism in those days, England. The production of cotton goods (consumption goods), was relegated to the background, and the front rank was assigned to iron-goods, (means of production). In other words, Tugan-Baranowsky's advice of how to prevent a crisis because of over-production was followed. But the crisis of 1857 *did come*, notwithstanding the use of his patent remedy. The faith of the capitalists in his remedy was evidently shaken a bit. For, as he has told us, the capitalists, instead of continuing the production of their means of production for the same market, which, according to Tugan-Baranowsky's theory, can never be over-stocked with means of production, set about looking for NEW MARKETS. The only thing in which they followed him still was the "distribution" of production; they still produced means of production by preference. But the crises still continued to set in regularly, driving the poor capitalists to distraction in their vain hunt for new markets. In other words, THE NEW MARKETS WERE ALSO SOON OVER-STOCKED WITH MEANS OF PRODUCTION. And very naturally so: for means of production (and this includes means of communication), are nothing more than MEANS to the *production of consumable goods*. Where, therefore, there is no demand for the consumable goods ultimately to be produced by their means, their production is over-production, and is so found to be when the ultimate test is applied. The capitalists discovered this much sooner than did Tugan-Baranowsky, owing to their healthy wolf-instinct of capitalism, which can not be fed on fairy-tales, but requires good dividends to appease its hunger. Seeing that they are at the end of their tether, that the reserve of markets is giving out, while those under exploitation are getting hopelessly over-stocked, they set about fighting each



other like wild cats in a scramble to get, each for himself, as much as possible of what is left. Capitalism reversed its time-honored policy of free-trade, and the era of wild imperialism in which we live has set in.

Modern crises and modern imperialism are very instructive studies. As Marx said, crises are mere SYMPTOMS of the contradictions working within the bowels of capitalism, and a means of RELIEVING the diseased condition when it becomes acute. They are not the malady itself, they merely show the presence of the malady. So does imperialism. As a matter of fact, modern crises and modern imperialism are manifestations of the same condition, and are merely two phases of the same process. Among other things, they show how the capitalist system is kept alive by waste.

The waste of the capitalist system is of two kinds, ordinary and extraordinary. The ordinary waste is the most important, because the more extensive; it is, however, the extraordinary waste that permits us to get a glimpse into the vital forces of capitalism, and is, therefore, of greatest interest to us here. It is this extraordinary waste that manifests itself in crises and in imperialism. We have already stated how imperialism has been heralded as the saviour of capitalism from crises and ultimate destruction by providing new markets for its surplus-product. It was pointed out that the great crisis which was scheduled for the beginning of this century did not come in, and this is claimed to be due to the opening up of new markets by the imperialistic policy of the modern capitalistic nations. In a way, this is true; the effect of a crisis being the destruction of the surplus-product which can not be absorbed by the social organism, and the permission of the resumption of normal production by removing the surplus-product from the market, anything that will serve the same purpose may, for the time being, take the place of a crisis. A great war, for instance, may have the same effect. It has usually been assumed that wars bring about crises. While it is true

that under peculiar circumstances, particularly because of credit relations, the declaration of a war may hasten on an impending crisis, or even bring a financial one about, the usual and general effect of a war is just the reverse. A great war usually keeps a crisis out, for the reason that economically it has the same effect as a crisis and can take its place. After a great war an era of prosperity usually sets in, for the same reason that great prosperity usually follows a great crisis. The longer the war, the greater the destruction of property, both actual and potential, the greater the prosperity that will follow it.

A policy of imperialism, aside from the actual wars which it may lead to, has in itself the same effects, and that is why it is beneficial to capitalism. Among the economic causes of the great popularity of imperialism must not only be counted the desire for new markets and their actual attainment, but the economic causes of the policy of hunting for new markets itself. We will illustrate this by an example. During the last presidential campaign in the United States the anti-imperialists made very much of certain statistics compiled by the late Edward Atkinson, showing that the expense to the United States in keeping and governing the Philippines was greater than what the whole trade of the United States with those islands amounted to. The anti-imperialists argued that it was the height of folly to pay more than a dollar for the opportunity of selling a dollar's worth of goods. From their own shop-keeper's point of view that is undoubtedly true. Not so from the standpoint of the modern, means-of-production-producing capitalism. There arise times when goods must be gotten rid of at any expense. As these goods consist of means of production they can not be given in charity to the workmen, nor destroyed bodily the way the western and southern farmers and planters destroy part of their crops, when they are too plentiful, in order to keep up the prices. These goods being capital, can only be gotten rid of by being sold or "invested." Hence this apparent craze for

new markets. But this is not all. As far as the safety of the capitalistic system is concerned, in so far as it affects the "general prosperity of the country," as it is euphoni-ously styled, the millions expended in the effort to sell goods to the Philippines are not waste but gain. These mil-lions represent so many millions worth of goods sold by the capitalists of the United States for unproductive consump-tion by military and civil employes and officials, a very effective though not always profitable way of disposing of a surplus-product which threatens to clog the wheels of business. It is true that this is sheer waste. But it is on waste that the capitalist system now depends for the con-tinuation of its existence.

In this connection it must be added that it is not only the moneys so expended directly that are wasted in that manner and for that purpose, or at least with that effect. To the direct expenses of colonies must be added the gen-eral military and naval establishments of modern nations, which are necessitated by this imperialistic policy. Every dollar expended in the military and naval "needs" of a country are the purest waste, but it is at the same time absolutely necessary for the preservation of the capitalistic system. Furthermòre, it is not only the money expended on these "needs," and included in the official budgets, that must be taken into consideration. The big military and naval establishments require men, besides money. These men are taken away from ordinary production where they would compete with other men in the labor-market, and where the products by them produced would swell the masses of surplus-product to be disposed of in far-away lands. The taking away of a man for military or naval purposes (including administrative duties of all sorts), relieves the labor-market by one man, and at the same time creates a demand for the goods to be consumed by him which are to be produced by those remaining at work at some useful occupation. Hence our continued prosperity. WASTE is the safety-valve of capitalism.

How long will this last? Evidently not forever. If the surplus-product can only be gotten rid of by waste, and by the kind of waste described above, and if the surplus-product which must be disposed of by such waste is always increasing, we will evidently reach a stage when it will be physically impossible to dispose of it. In saying "physically" we take, of course, into consideration human nature, which is part of the "physics" of our social system. There is, however, no warrant for assuming that according to Marx capitalism would have to go on until such a "physical" catastrophe should occur. This theory of a final catastrophe which has been much exploited by Marx-critics is the result of their woeful ignorance of the Marxian philosophy and the connection it has with his economics. Even Tugan-Baranowsky says that in order that the transformation from capitalism to socialism should follow as an economic necessity, according to the Marxian philosophy, the *impossibility of the continuance of production under capitalism indefinitely* must be proven. That is why he exerts himself so much to prove that an absolute impossibility does not follow from an analysis of capitalistic production. But this assumption is entirely wrong. The Marxian philosophy does not require the arrival at an economic impossibility. This is a figment of the imagination of those who understand under the Materialistic Conception of History a Mechanical Conception of History.

Such is not the Marxian philosophy. It will be remembered that in describing the causes for social revolution generally, in outlining his philosophy of history, he says that a revolution occurs whenever the superstructure of laws, etc., turns from a means of helping production into fetters of production. He does not say that production under the old system must become *impossible* before a revolution sets in, but it is according to his theory sufficient that it becomes "fettered." And in speaking of the particular revolution now under discussion, that from capitalism to socialism, he says that the "knell of capitalist pri-

vate property sounds" when "the monopoly of capital becomes a *fetter* upon the mode of production, which has sprung up and flourished along with it, and under it." When "centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument." According to the Marxian philosophy a system of production can only last as long as it helps, or at least does not hinder, the unfolding and full exploitation of the productive forces of society, and must give way to another system when it becomes a hindrance, a *fetter*, to production. That a system has become a hindrance, and a *fetter* to production when it has reached the point when it can only exist by preventing production, and by *wasting* what it has already produced, goes without saying. Such system cannot therefore last very long, quite irrespective of the purely mechanical possibility or impossibility of its continuance. Such a system has become *historically impossible*, even though mechanically it may still be possible. As we have seen, *the capitalist system has reached that point: The capitalist system must go.*

## CHAPTER XI.

### CONCLUSION.

We have now capped the climax of the Marxian argument, roofed the edifice of his theoretical structure, and it stands before our eyes a finished whole—a monument of the greatest thinker of the Nineteenth Century and a beacon-light to struggling humanity. It is not the magnificence of the structure, however, that interests us most, (for it is not our task to extol the personal merit and genius of Marx), but the *character* of this structure, the relation of its parts to the whole. We stated early in our discussion that the Marxian theoretical system is one solid structure and cannot be properly understood unless viewed as a whole; that it must be examined as a whole, and accepted or rejected in its entirety. We hope that we have succeeded in proving at least that proposition. Whatever our judgment may be as to the merits of the Marxian theoretical system, one thing we hope to have established beyond the possibility of a doubt: like the stones under the head of Jacob, so have the different elements which go to make up the Marxian system been welded by superior power into one whole. From the explanation of the hoary past, through the appreciation of the contending forces of the present, to the vision of the rising sun of the future—from the preface to *Zur Kritik*, declaring the laws of the historical march of civilization, through the intricacies and subtleties of the laws of value governing the capitalist system, to the sounding of the bells ringing out the old and decrepit capitalist system and ringing in the new and vigorous socialist society—the whole of the grandiose structure reared by Marx is hewn from one stone. Its foundations lie in the

past, its frame work embraces the present, and its lofty tower pierces the future.

Marx's socialism is neither the result solely of his hatred of the oppressors and love for the oppressed of the present social system, nor is it the dream-like construction of his fervid imagination; it is the logical conclusion of his reading of the past and his understanding of the present of our civilization. It is equally absurd to say, with Prof. Seligman, that Marx's interpretation of history has nothing to do with his socialism, as it is to say, with Bernstein, that it is immaterial to Marx's socialist predictions whether his theory of value be sound or not. We have seen the correctness of Marx's interpretation of history; we have seen the correctness and the precision of his analysis of the workings of the capitalist system; and we have seen, above all, the irresistible manner in which his socialist conclusions flow from those premises, and the absolute necessity of those premises for his socialist conclusions. We have seen, in fine, what a great light the contemplation of the whole sheds upon each and every part thereof. But even should the reader disagree with us on that, he surely cannot deny the justice of our claim that he can accept the Marxian system as a whole or leave it as a whole, but he cannot take part of it, and leave the rest, and above all he cannot take the conclusions without admitting the premises.

## APPENDIX I

### THE MATERIALISTIC CONCEPTION OF HISTORY AND PRACTICAL IDEALISM.

The following essay was written over six years ago, and appeared originally in the Haverhill Social Democrat. It is reproduced here substantially without any change, except that passages of a purely personal nature and containing allusions which would not be readily understood by the general reader were left out. Some of the statements would be couched by the author in different language now. But there is no substantial difference between the views then expressed and those held by the author now. And as the purpose of the essay was not to give an exposition of the subject but to record the views held by the socialists, it was deemed advisable to retain not only the substance but also the form, and to bring it up to date by adding at the end some opinions expressed since its first publication.

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In the September, 1900, issue of the International Socialist Review appeared an article by Comrade Robert Rives LaMonte under the caption of "Science and Socialism,"\* in which was treated, among other things, also of the materialistic conception of history. In a communication to *The People*, printed October 28th, 1900, I took exception to the views expressed by Comrade LaMonte in his article, claiming that the article sinned against the truth in drawing an analogy between Society and the Individual with respect to the motives that impel him to action and in asserting that the individual is prompted in his action by his own material interests. I insisted, on the contrary, that there was no analogy in this respect between Society and the Individual; that the individual in his private conduct is not always guided by his material interests; that with the best

\* This issue of the Review is out of print, but the essay was reprinted in a book by Comrade LaMonte, entitled *Socialism, Positive and Negative*, Chicago. Charles H. Kerr Company, 1907, cloth, 50 cents.



of men ideal motives are supreme; that the materialistic conception of history applies to Society only, and to history only, that is, to Society in the process of change; that, however, when we take society in a given moment detached from what preceded it and what follows it, we find that even in society as a whole, in this stationary condition, ideal motives and not pecuniary interests play the leading role. And that, notwithstanding this, the materialistic conception of history is correct. And, furthermore, that because when viewing society in its process of change, we find that the ideas which play an important role in the activity of any given society at any given moment, had their genesis in the economic conditions of the time or of some time which preceded it, it follows that considering the history of society philosophically, the economic factor is supreme in the evolution of society.

Speaking of the article generally, I characterized it as confusing, because it is a mixture of correct Socialist doctrine and the views just now criticized which are contradictory to those doctrines, and as pernicious, because it plays into the hands of the enemies of Socialism in lending a semblance of authority to the perversions of the materialistic conception of history, which our enemies have all along tried to confuse with a grossly materialistic view of life, and brand as opposed to practical idealism.

I particularly objected to the article because it assumed to express not the individual views of Comrade LaMonte, but the accepted doctrines of all authoritative Socialists, and all those who "talk intelligently" of the materialistic conception of history. This communication of mine aroused the ire of H. L. Slobodin. In quite a lengthy article (*The People*, November 4, 1900), salted and peppered with personal abuse after the famous recipe of a late unlamented master, he invokes heaven and earth, the shades of Hades and the rhetorical figures in Brown's grammar, to a relentless war against my "ignorance," "arrogance," and most of all my "noble-mindedness."

The points he makes, as far as they appertain to the discussion, are, as follows:

1. I garbled LaMonte's article when I ascribed to LaMonte the notion that pecuniary interests dominate the life of the individual.
2. That, assuming LaMonte to have intended to say that private material interests dominate the life of the individual in the same way as the economic factors dominate the his-

tory of society, his position is still correct, as such views are "much more akin to historic materialism than" my own views as stated in my communication to the People. To quote the whole passage: "Comrade Boudin distorts LaMonte's proposition, attaching a meaning very remote from it, namely, that by economic conditions LaMonte means 'pecuniary interests.' But even in its garbled form, the proposition of LaMonte is much more akin to historic materialism than the 'noble-minded idealism of Boudin.'" I have committed all manner of crime by saying that Socialists are usually "idealists of the purest type" in practical life. To use his own classical language: "I am in doubt whether the Socialists will receive this as a flattery or a libel. Myself, I am inclined to retort: 'Comrade Boudin, you are another.'"

And I have sinned even more in stating that, in practical life, men are moved by a sense of justice and by ideals.

It follows from the above that the questions now at issue are:

First: Have I garbled Comrade LaMonte's article, or distorted its meaning?

Second: Does the materialistic conception of history apply to the conduct of individuals or are the factors that impel the actions of individuals the same that move societies? More particularly, is the view that individuals are moved by pecuniary interests only, "much more akin to historic materialism" than the view that the materialistic conception of history has nothing to do with practical idealism, and that Socialists may therefore be, and usually are, idealists in practical life?

I want to state right here that, for the purposes of the present discussion, it is immaterial whether this position of LaMonte is correct in itself or not. We may yet have a chance to break a lance on that score. Here the only question is whether what LaMonte and his friend say is what authoritative Socialists mean when speaking of the materialistic conception of history. In my communication to the People I expressly stated that I objected principally to LaMonte's article because he insisted that his views were those of authoritative Socialists, and that in my opinion that was not so, whatever the merits of those views may otherwise be. And this is the only thing that I intend to prove now.

Says Karl Kautsky, now the leader of Socialist thought

the world over (Neue Zeit, XV, I 215): "I have pointed out to Bax in my reply to his article in the Zeit, that he commits the quite preposterous blunder of confusing material conditions with material interests. And what does Bax answer? Not enough that he confuses material conditions with material interests, he actually sticks to this confusion, after his attention is called to the nonsense of interchanging these terms! Does Bax really not know what is to be understood under the material conditions of a society? The material conditions are the conditions of production,—this word taken in its most comprehensive sense. How can one insist that this is for the materialistic conception of history quite the same as the material interests of classes and nations? (We imagine Kautsky's surprise if he were to learn that here are materialists who are not content with confusing material conditions with the material interests of classes and nations, but actually confuse it with the material interests of individuals!) The difference between the two words can be seen from the following consideration: It is in my opinion possible to explain the aversion to earthly things and the longing for death of Christianity by the material conditions of the time of the Roman Empire. It were however preposterous to try to find a material interest as a cause of the longing for death!"

And again: "Others, again, throw into the same pot the animal organism and the social organism, the law of the evolution of society and of the individual and the species."

This hits the nail squarely on the head. The law of the evolution of society is not the same as the law of the evolution of the individual; and in the evolution of society even, it is not the material *interests* of classes or nations that is the moving power, but the material *conditions*, which is something quite different.

As a logical corollary of the ignorance displayed by Kautsky in the above, come his views about the role of the individual in history. Ignorant as he is of the great doctrine of "economic determinism" announced by LaMonte, which compels the individual to act in accordance with his material interests, Kautsky has the "arrogance" of expressing himself as follows on that point: "Here we come to the question what role does Man, or if you like it better, Spirit, the 'psychological impulse,' the Idea, play in history. To the idealistic philosopher the idea may have an independent existence. To us the idea is only a function of the brain, and the question whether and how the idea can

influence society is identical with the question whether and how the individuals can do it. Bax will be much surprised when I declare that I agree entirely with the proposition laid down by him in seeming opposition to my views, namely: 'Economic formations make history only in conjunction with the human spirit and will.'

What a pity that Kautsky did not read a few books on natural history or at least the article of LaMonte's Champion, because then he would not have talked such nonsense about "Man" and the "human spirit," he would then have known that there is nothing about man and human nature to talk about, that "there is a species of small but ferocious pig that are known to deliberately" sacrifice themselves for a friend.

As it is, however, Kautsky abides in ignorance, and therefore proceeds in this wise: "On the other hand, the selection of the problems to which he (the individual) devotes himself, the view-point from which he approaches their solution, the direction in which he looks for the solution, and finally the energy with which he goes to battle, for an explanation of these we cannot look to economic conditions only. Alongside of these there also come into play the peculiarities in which the individual has developed owing to the peculiarities of his natural parts, and the peculiarities of the particular circumstances in which he found himself. All the above mentioned circumstances exert an influence if not on the direction, then on the way and manner in which the, after all inevitable, result is to be. And in this respect single individuals can do much, very much for their contemporaries . . . Some as thinkers, by obtaining a deeper insight than those who surround them, by freeing themselves more than those from the inherited traditions and prejudices, by overcoming class-stupidity."

It is clear from the above that Kautsky is of the opinion that some people may, for no other reason but because they think, accomplish very much for their contemporaries. And in order to do such good they not only neglect their own material interests, but they rise above the material interests of their class, overcome the stupidity or narrow-mindedness (Bornirtheit) of their class.

This last phrase about the class-stupidity (Klassenbornirtheit) is interesting. And Kautsky, who was evidently aware that he was treading upon the corns of some so-called Marxists, proceeds to elucidate his position thus:

"The last assertion may sound strange in the mouth of a Marxist. Socialism is however, in fact, based on the overcoming of class-stupidity. For the narrow-minded (bornirt) bourgeois the social question consists of the problems how to keep the workmen peaceful and their necessities minimal; for the narrow-minded wage worker it is only a question of stomach, the question of high wages, short hours, and secure employment. We must overcome the narrow-mindedness of the one as well as of the other, before we can come to the understanding that the solution of the social problem of our times must embrace much more, much that is only possible in a new form of society . . . The thinker, who overcomes tradition and class-stupidity, assumes a higher standpoint and thereby discovers new truths, that is, comes nearer the real solution of the problem than the average individual. He must not, however, expect to be received with favor by all classes. Only those classes will agree with him whose interests lie in the same direction as the general evolution,—often not even these when the thinker has raised himself too far above his surroundings."

The question of the limits of the influence of economic conditions, and the play of the influences in society, is more fully discussed by Kautsky in his articles written in the *Neue Zeit* in answer to Bernstein's famous book. In the article on Materialism Kautsky says:

"But let us look a little closer at the different factors to which Bernstein calls our attention: Here we have alongside of the forces and circumstances of production, the juridical and moral conceptions, and the historic and religious traditions. But what are the traditions even according to the 'more progressive' formulation of the materialistic conception of history if not the product of preceding social forms, consequently, also of preceding forms of production; and likewise the juristic and moral conceptions, as far as they are traditional and do not arise out of the social forms existing at that moment. . . .

"So we can upon closer scrutiny reduce the factors which play a part on the surface of history, which Bernstein points out, to ultimate economic factors; and his demand will simply mean that the history of a given time cannot be explained by its own economic history only, but that we must 'take into account' the whole economic development preceding it, together with its heritage from primitive times. . . .

“Had Bernstein wanted to say that the materialistic conception of history developed, in that, in the beginning, it overestimated the direct influence of the form of production prevalent at a given time, and undervalued the indirect influence of pre-existing forms, then there would be room for discussion. In fact, the progress of prehistoric research, which was scarcely born at the time of the original formulation of the materialistic conception of history has materially influenced the latter. A development of the theory in this sense is to be noticed, and it was stated as a fact by the fathers of the materialistic conception of history themselves.”

The reader will have seen that in Kautsky's mind there was absolutely no question that the juridical and moral notions current in society have a great influence on that society, because the changes in society are worked by the agency of individuals, and individuals are admittedly (to Kautsky's mind) influenced by their judicial and moral notions. The debatable ground to him was, as to the origin of these notions, whether they could be traced to economic conditions directly by showing that they were the result of the economic forces and circumstances of that society itself, or whether they could be traced to economic conditions only indirectly, that is, by showing that although they were inherited, and therefore not the result of the economic conditions of the society over which they exert their influence, they were originally the result of economic conditions, namely, of the conditions of some previous society in which they had their origin. And even as to that Kautsky says (as we have heard him say before in his answer to Bax, quoted above) that there is no question but that some ideal influences can be traced only indirectly to economic conditions, and the question then reduces itself to one of the relative strength of the ideal influences which can be explained by the economic conditions of the time, and those which we have inherited from our fathers and can, therefore, be explained only by the economic conditions of some former historical epoch. And as to the this latter question, he says that, in the younger days of our materialistic philosophy, we were prone to over-estimate the direct influences at the cost of the indirect, but that now we give those influences which can be traced only indirectly to economic conditions their full due, and this is done not in opposition to the views of Marx and Engels, the fathers

of our modern materialist philosophy, but in conformity to their views.

When we remember that so-called indirect influences of economic conditions have absolutely nothing whatever to do either with our economic or material interests, nor even with our economic conditions, in the sense in which Kautsky uses the word,—Kautsky's views reduce themselves to the following: Not only are individuals prompted in their actions by ideal motives, but moral (that hated word "moral"), juridical, and other ideal influences which are not in any way connected with the economic conditions of our own society, play an important role in it.

And in order to prove to Bernstein that it is pretty hard to "improve" on Marx and Engels, and incidentally to guard against confusionists who do not know the difference between a theory of history and a code of practical ethics, he uses the following example: "Suppose that a naturalist had in one of his earlier works declared that the light and heat of the sun were the ultimate moving powers of all organic life on earth. In his later years he received an inquiry as to whether it were true that, according to his theory, the growth of a tree depended solely on the quantity of light and heat that it received directly from the sun. To this he naturally answered, that it was nonsense; that his theory must not be interpreted that way, that he knew very well that the quality of the seed, the soil, the condition of moisture and dryness, the direction and strength of the winds, etc., have likewise an influence on the growth of trees. And then comes a commentator, confuses the direct influence of the sun on vegetation with his being the ultimate sole power-source on the earth, and declares, then, that the theory of the naturalist must not be taken in its first, one-sided, form, but in its last, qualified and therefore much more scientific form. He overlooks entirely the circumstance that in this form the theory ceases to be of scientific importance; it becomes a commonplace, familiar to every farmer during thousands of years."

Kautsky claims, and he is certainly right in doing so, that when a great thinker announces a new theory he need not go into lengthy explanations that it is not what other people may think it is by absurdly perverting it, but he may leave that to the common sense of those that follow him. And yet, had Kautsky had a chance to read the Socialist literature on this side of the ocean he would not have scoffed so cruelly at Bernstein's painstaking state-

ments of the limitations of the materialistic conception of history, as he would have seen that there are farmers here who, after having heard of our naturalist's theory insist on planting trees on brick walls as long as they are directly against the sun.

That Kautsky is correct in his statement that Marx and Engels never denied the influence of ideas in the history of society, and gave quite a prominent place to indirect influence of economic conditions, this even in the earlier of their writings—is plain to every student of Marx and Engels, who has studied their philosophy not from second hand. Of course, there is, as far as I can remember now, nowhere in their writings to be found a direct denial of the absurdities of LaMonte & Co., for the reason stated by Kautsky and quoted above; but there is abundant refutation of it. I shall bring only one quotation from Marx and one from Engels directly in support of Kautsky's views, and when we bear in mind that Marx at least has never written any book or even essay giving an exposition of his philosophy, this will be enough to satisfy the most exacting.

Says Marx in 1845:

“The teaching of the materialists (the ante-Marxian materialists, of course) that man is the product of circumstances and education (*Erziehung*), that changed men are, therefore the product of different circumstances and changed education, forgets that circumstances themselves are changed by men, and that the educator himself must be educated.”  
*Sapientis satis.*

Engels is more circumstantial. Says he:

“Men make their history, whatever way this may turn out, by each one pursuing the aims he consciously sets to himself, and the resultant of these wills, in many different directions working, and their manifolded influences on the outer world, are just history. It is therefore also important what these many individuals want. The will is determined by passion or consideration. But the levers which in turn directly determine the passions or considerations are of different kinds. Partly, these may be circumstances standing outside the individual; partly, *ideal motives*, ambition, *enthusiasm for truth and right*, personal animosity, or even purely individual whims of all sorts. But, in the first place, we have seen that the many individual wills which are active in the making of history produce mostly quite different, often just opposite, results from those desired; their motives are therefore, also, for the collective result only of



secondary importance. And, secondly, the question still remains, what propelling forces are behind these motives, what historical causes are they that form themselves in the minds of the acting personages into these motives?

"This question the old materialism never put to itself. Its historical conception, so far as it had one at all, was therefore in its essence pragmatism, judging everything by the motives of the action; it divides the persons acting in the historical process into noble and ignoble ones and finds then that as a rule the noble ones are the conquered and the ignoble the conquerors. Whence it follows, for the old materialism:—that the study of history is not very edifying; and, for us, that on the historical field the old materialism is untrue to itself, because it takes the ideal motives which exert their influence there as the last causes, instead of examining what may be behind them, what are the motives of these motives. Not in that lies the inconsistency that *ideal motives are acknowledged*. But in that that they are accepted as final, and are not reduced to the causes that move them."

This is quite plain. No wonder LaMonte does not like Engels and appeals from him to Deville (to whom, by the way, he ascribes nice "distinctions," which do not rightfully belong to him.)

The question as to whether those who believe in the materialistic conception of history can be idealistic in practical life, have ideals the attainment of which they desire, and be actuated in their actions by ideals, has naturally been discussed more or less by the leaders of Socialist thought. As is also natural, such discussions were always provoked by some opponent of Socialism trying to make believe that the materialistic conception of history led its followers to adopt "materialistic" views of life and excludes all ideals. This the Socialist theorists were not slow to brand as malicious fabrications and imaginings born of ignorance.

Franz Mehring, one of the brightest minds of the party in Germany, and one of those who are accused of being too strict and "narrow-minded" materialists, has the following to say on the subject (Lessing-Legende):

"We shall first dispose of two current objections to historic materialism, which attach to the meaning of the word. Idealism and materialism are two answers, in opposition to each other, to the basic question of philosophy: the relation between the understanding and reality, or to put

it in a simpler way: the question as to the priority of mind or matter. In themselves these two terms have nothing to do with ethical ideas. A philosophical materialist may cherish such ideals in the highest and purest degree, while the philosophical idealist may be completely destitute of them. However, the term materialism, owing to its being continually defamed by persons, has in time acquired something suggestive of immorality which gradually made its way into bourgeois literature. 'The Philistine understands under materialism gluttony, drunkenness, lust, pride, rapacity, greed, profit-hunting, etc., in short, all those repugnant vices to which he is covertly subservient; and under idealism he understands the firm belief in virtue, the brotherhood of man, and generally a "higher world" of which he declaims, and in which he perhaps believes when he has to go through all the misery which necessarily follows his "materialistic" excesses, chanting the refrain: What is man, — half brute, half angel' (this quotation is from Engels). If we are to use these words in this, secondary, sense, it must be admitted that nowadays it requires a good deal of ethical idealism to have the courage of professing historic materialism, for it invariably carries with it poverty, persecution and slander, while the profession of historic idealism is the business of every heeler, for it offers the best prospects to all earthly goods, to fat sinecures, orders, titles and dignities."

As the reader sees, far from being horrified at the thought that a Socialist may be an idealist, as LaMonte's Champion is, Mehring says that it requires a lot of ethical idealism to be a materialist, or, as I said, simply a Socialist.

So says also Sadi Gunter, perhaps the only man in Germany who has the distinction of being acknowledged a philosopher both by Socialists and bourgeois. In an article which appeared in the *Neue Zeit* (1897-98, No. 41) he makes use of the following language:

"There is a firmly rooted prejudice in the educated circles of the bourgeoisie that the materialistic conception of history excludes all ideals. Even men who begin to advance theoretically towards the materialistic conception of history, and do not dismiss it, like Dr. Barth, with a few phrases which only show a lack of understanding on the part of those who use them, still find in that prejudice a cause which prevents them from joining it entirely. . . . We must however discuss more fully the second objection which is based on that very widely accepted metaphysical

error, that *PRACTICAL IDEALS* must have as their foundation *THEORETIC IDEALISM* (all italics in the text). Here we must prove that Stammer uses an untenable double book-keeping in which the entries do not balance. And this we must prove by a positive demonstration,— 1st, That and how the spiritual phenomena must work in the chain of cause and effect; 2d, That and how in the historic materialism — which must be carefully distinguished from common materialism — a *practical idealism is not only possible, but necessary.*

“In such cases the ideal acquires in man a quite all-powerful impetus. And it retains its power of a forward motor even if the goal to be achieved cannot be reached in the way looked for; because it enhances the powers and impels to find other ways of solution, when those originally hoped for prove inadequate. This is the reason why the goal of Socialism, the emancipation from the yoke of capitalism and the establishment of a more harmonious social order, could seize upon the masses so powerfully, impel them forward and elevate them even while the present system continues (heute bereits emporzuheben vermocht). . . . This ideal in social life is the Socialistic ideal of to-day. Socialism requires the nationalization of the means of production not for the material reason that the proletarian should be able to eat and to drink more comfortably. The Erfurter Program, to which the whole German Party adheres, states most emphatically that the socialization of the means of production is necessary in order to transform the capitalistic mode of production from a ‘source of misery to a source of the highest well-being and harmonious development of man.’”

“We must not overlook the phrase ‘harmonious development.’ . . . If this be the case, it is evident that we may require the nationalization of the means of production only in so far as it serves our aim as a harmonious development. This nationalization is a means only, and not an end in itself. The ideal for the sake of which nationalization is desirable, is human perfection. And this ideal is a necessary motive power to further development,— a motive power which is as well an effect of evolution as it is a necessity to the further realization of our aim.” . . .

“*Not only is historical materialism, therefore, far from destroying practical idealism, but on the contrary, it raises it to such a power over the mind and clarifies it to such a*

*purity as no other system was hitherto able to attain for it."*

The point I wish to make here is in relation to the horror with which the "sense of truth and justice," attributed by me to the uncorrupted human nature, inspired my adversary. If it were not for the fact that he probably considered himself among those whom I excepted from this horrible imputation, he would have said that I was another. . . . As it is, however, he limits himself to instructing us about the nature of the celebrated "small but ferocious pig," which is not exactly to the point, as I have never harbored any designs upon the fair name and reputation of my friend's protege, and informs us that an old writer is quoted as saying: "A dog is the only thing on this earth that loves you more than he loves himself." After having thus exhausted the wells of wisdom of all the ages, and after having cruelly enjoyed my humiliation, he introduces a "philosophical sow" to the utter discomfiture of all "idealists," whom my friend cordially hates.

However, one consolation still remains for me, discomfited as I am; and that is that I am in quite good company. There is for instance, J. Stern, a man who only recently was held out by George Plechanoff, that "narrowest" of the doctrinaires of materialism, as the model of a Socialist philosopher. In his book on the philosophy of Spinoza, published by the German party's publishing house, Stern takes the position I do. But, finally, here is Kautsky again, to share the odium of "noble-minded idealism." In his response to Bernstein, he says:

"The ideologists ceased to be a ruling class. But they have at the same time ceased to be a class altogether. They ceased to present a compact class with separate class-interests. They form an aggregation of individuals and coteries with the most widely different interests. As repeatedly said before, these interests touch partly with those of the Bourgeoisie, and partly with those of the proletariat. At the same time their education enables them the quicker to gain a higher standpoint in the contemplation of social development. Not actuated by pronounced class-interests, often acting on the basis of a deeper insight into the interdependence of social phenomena gained by mental work, the representatives of the intellectual classes (Intelligenz) feel themselves to be the representatives of the common interests of the community as opposed to the class-interests,— the rep-

representatives of ideas that are independent of economic motives. And the intelligent classes (Intelligenz) are constantly growing. Therewith grows visibly the common-interest as against the class-interests, grows the independence of the arts, sciences and the ethical viewpoint of the economic forces. Only when we interpret Bernstein's words to mean this, they become understandable (begreiflich) and lose their mystical character; but then they also cease to prove anything against the materialistic conception of history."

In a review of Anton Menger's book "Neue Sittenlehre," in the *Neue Zeit* of October 14, 1905, Karl Kautsky says, among other things:

"Political and social struggle is impossible without moral indignation (sittliche Empoerung) against the opponent.

"The moral indignation against given political and social conditions, against the material oppression of the social powers, is therefore the first and the last, the basic form of the manifestation of the class differences, the most primitive and lasting mainspring (Triebfeder) of the class struggle."

And then he states, referring to Menger's ethical theory and the statements of some reviewers that it was identical with the theory of ethics of the Materialistic Conception of History:

"To say that the conception of historical materialism, that morality is generated by the *material conditions* of society, is the same as Menger's conception that it is generated by material force is just as false and misleading as is the oft-repeated confusion of material conditions with the material interests of the individual, which reduces Marxism to that low level of ethics according to which all morality is reduced to egoism. People who so represent and propagate the Materialistic Conception of History may consider themselves good Marxists, but they really belong to those who reflect little credit on the Marxian teachings, who made Marx shudder, and with whom he begged not to be confounded."

And in his recent book: "Ethics and the Materialistic Conception of History," Kautsky says:

"While the growing contradiction between the changing social conditions and the stagnating morality expresses itself in the conservative, that is in the ruling classes, in growing immorality, hypocrisy and cynicism, which often

go hand in hand with a weakening of the social instinct, the effect upon the rising and exploited classes is entirely different. The interests of those classes stand in direct opposition to the social foundations which created the reigning morality. They have not the slightest reason to defer to it, and all the reasons to oppose it. With the growth of their consciousness of their opposition to the existing social order, grows their moral indignation, their opposition to the old and antiquated morality, to which they oppose a new morality, which they advocate as the morality of society as a whole. Thus there arises in the rising classes a moral ideal, which grows in intensity with the growth of the power of these classes. At the same time, as we have already seen, the social instincts of these same classes gain in strength and are particularly developed by the class-struggle, so that with the intensity of the new moral ideal grows also the enthusiasm for the same. Thus it is that the same process of evolution which produces in the conservative and declining classes growing immorality, begets in the rising classes in a steadily increasing number those phenomena, the aggregation of which we describe as *ethical idealism*, which must not, however, be confounded with philosophical idealism. It is just the rising classes that often incline towards philosophic materialism, which the declining classes, on the other hand, oppose from the moment that the fact begins to dawn upon them that the natural course of evolution has sealed their doom, from which they can only escape by the intervention of some supernatural, divine, or ethical power."

## APPENDIX II.

### THE MATERIALISTIC CONCEPTION OF HISTORY AND THE INDIVIDUAL.

One of the points on which the Marxian interpretation of history is being most persistently misrepresented, is the question of the influence of the individual on the course of history. It is one of the favorite occupations of the Marx-critics of a certain sort to enlarge upon the supposed fact that the Marxian historical theory preaches fatalism and leaves no room for the activity of the individual with a view to influencing the course of events. It is either expressly stated or tacitly assumed that Marx imagined or represented History to be a sort of automatic machine running along a predestined and preordained course, propelled by a lever called economic factor, without regard or reference to the will of the human beings whose intelligence it was affecting and whose institutions and destinies it was shaping. According to these gentlemen, Marx did not care a whit as to what the human beings whose doings fill up the pages of History thought or wanted with regard to the things that they were doing or were about to do. They assure us that according to Marx and his disciples the course of History is predetermined (although none of them ever suggested by whom),—and “economic determinism” is, therefore, their favorite appellation for the Materialistic Conception of History. The course of History being predetermined, and the “economic factor” being the motive-power which propels the car of History on this predetermined course, it follows of necessity that neither each individual member of society separately, nor all of its members collectively, can in any way, by anything he or they might do, affect or influence this fatal course of History. Man must cease all intelligent effort to alter, accelerate, or modify the course of History, and must patiently await the inevitable which Fate has decreed for him, and which will be brought about while he waits through the agency of the Economic Factor.

Having changed the Marxian conception of history into "economic determinism," and having read fatalism into it, they proceed to show their determined opposition to Marxism on the ground that it is fatal to all intelligent human activity, particularly of the "idealistic" kind. Of course, it could easily be proven that neither Marx nor the Marxists seem to have been affected by the supposed fatalism of their doctrine, and have displayed an intelligent activity and an active intelligence in all spheres of human thought and action that are truly astonishing. Nay, the most astonishing part of it is that this activity is usually of the most "idealistic" kind imaginable! But, then, the Marxists have never been consistent. It behooves us, therefore, to see what basis there is for the claim of fatalism, in the Materialistic Conception of History, and what are, according to that theory, the true possibilities and limitations of the individual member of society as a history-making factor.

And first of all as to determinism. It may be safely said that there is absolutely no warrant in anything that Marx himself wrote for the application of that term, in the sense in which it is used in this connection, to his historical theory. Neither the term itself, nor the idea for which it stands, are to be found in any of his writings. Furthermore, the idea is entirely foreign to the whole spirit of his theoretical system. While there is nothing in the idea of determinism which would make it impossible to couple it with materialism, it is nevertheless essentially part and parcel of a purely idealistic system such as Hegel's, for instance.

The same is doubly true about fatalism; to say that the man who said: "Men make their own history" was a fatalist is such an incongruity that the claim would hardly merit attention were it not for the persistence with which it is put forward. We need not depend, however, on any stray utterance of Marx in order to determine his position in the matter. We have already seen in the foregoing discussion in the body of this book, particularly in the chapter on the Proletariat and the Revolution, the stupendous task assigned to the working class in bringing about the transformation of the present capitalist society into the socialist society of the future. That this role ascribed to the proletariat is entirely in keeping with the whole theoretical system is perfectly evident to all who have examined his system with any degree of care. There is absolutely nothing in his explanation of the development of the economic con-



ditions of capitalist society which would suggest the possibility of the inauguration of the socialist system by purely mechanical agencies. Quite to the contrary: as far as the purely mechanical breakdown of capitalism is concerned, as has been fully explained in the text, it is not a physical breakdown, as would be necessary in order to exclude the necessary intervention of conscious human activity, but rather a moral bankruptcy. Certainly, there is absolutely nothing in the capitalist system to prevent it from relapsing into a sort of new feudalism or slavery, with the collective ownership of the means of production by an aristocracy of the capitalist class, instead of developing into a socialist-democratic system.

But not only the transition from capitalism to socialism requires the active agency of conscious and purposeful human effort. The whole Marxian theory of the evolution of society through a series of class-struggles brought about by a conflict of conditions of production with social institutions is so conceived by Marx as to make the intervention of human effort for the amelioration of society an absolutely necessary and integral part of the "conflict." It is only necessary to remind the reader of the circumstance, pointed out in the text, that Marx does not speak of the revolutions as the result of the impossibility of continuing production under the old institutions, but of production being "fettered" by them, a condition implying a moral valuation and volition of an active human agent.

That the Marxian theory was so understood by his disciples, can hardly be doubted. The opinions of the best known among them on the subject of practical idealism, quoted by us above in the first appendix, proves that beyond the possibility of a doubt. We will therefore refer our readers to those expressions of opinion, in order to avoid unnecessary repetition, as to the authors there quoted, and will only add some expressions of opinion from the pen of Marx's great Russian disciple, George Plechanoff. We deem it of importance to offer this "cumulative evidence" of Plechanoff not only because of the great esteem in which his views are held among Marxists, but also because he is more circumstantial at this particular point than any one of the authors already quoted by us, and does not only show the mere fact that the Marxists admit the "individual factor" in history but also the limitations they place on it.

In the first place Plechanoff admits that there is some

justification for the wide-spread opinion that Marxists deny to the individual any influence on the course of History. Not, of course, in anything contained in the writings of Marx or his immediate disciples, but in some loose talk and inaccurate expressions of some alleged Marxists. He says:

“While some subjectivists, in their efforts to magnify the role of the ‘individual’ in history, refused to acknowledge any historical laws in the process of the social development of humanity, some of their newest opponents, in their efforts to accentuate the evolutionary process of this development, evidently forgot that *History is made by men, and that therefore the activities of the individuals must necessarily influence it.* They considered the *individual quantité négligeable.* Theoretically, however, such a view is no more permissible than that of the extreme subjectivists.”

And then, after going into a detailed examination of this question and analyzing some historical examples which bear upon the subject, he comes to the following conclusion:

“It follows, that some individuals, owing to the peculiarities of their character, may influence the historical course of events. Sometimes this influence is quite considerable. But the possibility of such influence, as well as its magnitude, are limited by the organization of society, by the relation of its forces. The character of the individual appears as a factor of social development only in such places, at such times, and to such an extent, where, when, and to the extent that, the social relations permit it.

“It will probably be suggested that the extent of the influence which an individual may exert on the course of history depends also on the abilities of the individual. To this we may readily accede. But the individual can display his abilities only after he shall have assumed the necessary position in the social organization. . . . It is this organization, therefore, which limits, at any given time, the role—and consequently the social influence—which may fall to the lot of gifted or mediocre individuals.”

The raising of the individual to the dignity of a historical factor raises the question of the influence of chance or accident in history, which is intimately connected with it. And he proceeds to elucidate it, thus:

“Hegel says that in all things finite there is an element of chance. In science we have to do with the ‘finite’ only; it may therefore be properly said that in all the processes which she makes the objects of her study there is an element of the acci-

dental. Does this exclude the possibility of the scientific study of phenomena? Not at all. *Chance is a relative matter.* It appears only at the crossing of *necessary* processes. The appearance of the Europeans in America was a matter of accident for the inhabitants of Mexico and Peru, in the sense that it was not the result of the social development of those countries. But the passion for sea-voyages which took hold on the Europeans towards the end of the Middle Ages was not a mere accident; nor was it a mere accident that the Europeans easily overpowered the aborigines. Nor, again, were the results of the conquest of Mexico and Peru by the Europeans a mere matter of accident. These results were in the last analysis caused by the resultant of two forces: the economic conditions of the conquering nations on the one hand, and of the conquered nations on the other. And these forces as well as their resultant, can be fully investigated according to the laws of scientific research."

Plechanoff then proceeds to show that aside from the fact that the influence of the individual is limited by the inner structure of the social organization and its relations to other societies, in the sense that the role assigned to individuals, and the kind of individuals it is assigned to, depend on the character of the social organization, there is another limitation imposed upon the influence of the individual by the social organization, which means, in the last analysis, by the economic relations of society. And that is, that the *direction* of social development, the broad outlines of the evolution of social institutions, cannot be affected by the activity of any individual, or any set of individuals. Speaking of the possibility of certain accidents of the French Revolution not having occurred or others occurring, and the way such changes would have affected that great historical event, he says:—

"All such changes in the current events might have influenced to a certain extent the future political, and by means thereof the economic, life of Europe. But the ultimate outcome of the revolutionary movement would still not under any circumstances have been the reverse of what it actually was. Influential individuals, owing to peculiarities of mind and character, may change the individual appearance of events and some of their minor results, but they cannot change the *general trend* of events, which is outlined by other forces."

Having thus circumscribed the sphere of the individual's influence, having shown its *limitations*, Plechanoff then proceeds to show the *possibilities* of the activity of the individ-

ual within that sphere, and the real significance of his influence as thus limited. He says:—

“A great man is great not because his individual peculiarities give individual form to great historical events, but because of the fact that he possesses peculiarities which make him best able to serve the great social needs of his time, needs which have developed under the influence of general and special causes. Carlyle, in his “Heroes and Hero Worship,” calls great men ‘beginners.’ This is a very apt appellation. A great man is in fact a beginner, for he sees further than others and desires more intensely than others. He solves the scientific problems placed on the order of the day by the preceding intellectual development of society; he uncovers new social needs created by the preceding development of social relations; he takes upon himself the task of beginning the satisfaction of those needs. He is a hero. Not in the sense that he can arrest or modify the natural course of events, but in the sense that his activity is the conscious and free expression of that necessary and unconscious course. In that is his importance; in that his power. But that is a colossal importance,—a tremendous power.”



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