

DEMOCRACY
VERSUS
SOCIALISM

A CRITICAL EXAMINATION OF SOCIALISM
AS A REMEDY FOR SOCIAL INJUSTICE
AND AN EXPOSITION OF THE
SINGLE TAX DOCTRINE

BY

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(SECOND EDITION).

Leds and London
STOREY EVANS & CO., LIMITED

1924

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CHAPTER I

THE ECONOMIC CONCEPTIONS

The fundamental economic conceptions of Socialism arise from Karl Marx's theories of value and surplus value, and culminate in the conception that the income of landowners, capitalists, and employers alike, with the sole exception of some reward due to the employer as organiser and director of industry, are deductions from the wages of individual labourers, a tribute imposed upon labour.

The following extracts from Marx's great work *Capital* give the substance of these theories:—

“That which determines the magnitude of the value of any article is the amount of labour socially necessary, or the labour-time necessary, for its production. Each individual commodity in this connection is to be considered as an average sample of its class. Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to that necessary for the production of the other. As values all commodities are only definite masses of congealed labour-time” (p. 6).¹

“The value of labour-power is determined, as in every other commodity, by the labour-time necessary for the production, and consequently also for the reproduction, of this special article. So far as it has value it represents

¹ This and subsequent quotations from *Capital* are taken from the stereotyped edition, Swan Sonnenschein & Co. London, 1889.

no more than a definite quantity of the average labour of society incorporated in it. Labour-power consists only as a capacity or power of the living individual. Its production consequently presupposes his existence. Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of subsistence. Therefore the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of these means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer" (p. 149).

"The value of a day's labour-power amounts to three shillings, because on our assumption half a day's labour is embodied in that quantity of labour-power, *i.e.* because the means of subsistence that are daily required for the production of labour-power cost half a day's labour. But the past labour that is embodied in the labour-power, and the living labour that it can call into action, the daily cost of maintaining it, and its daily expenditure in work, are two totally different things. The former determines the exchange-value (*i.e.* wages) of the labour-power, the latter is its use-value. The fact that half a day's labour is necessary to keep the labourer alive during twenty-four hours does not in any way prevent him from working a whole day. Therefore, the value of labour-power and the value which that labour-power creates in the labour process are two entirely different magnitudes, and this difference of the two values was what the capitalist had in view when he was purchasing the labour-power" (p. 174).

"The action of labour-power, therefore, not only reproduces its own value, but produces value over and above it. This surplus-value is the difference between the value of the product and the value of the elements consumed in the formation of the product; in other words, of the means of production (*i.e.* material and fractional parts of 'fixed capital') and the labour-power. . . . The means of production on the one hand, labour-power on the other, are merely the different modes of existence

which the value of the original capital assumed when from being money it was transformed into the various factors of the labour-process. That part of capital which is represented by the means of production, by the raw material, auxiliary material, and the instruments of labour, does not in the process of production undergo any quantitative alteration of value. . . . On the other hand, that part of capital represented by labour-power does in the process of production undergo an alteration of value. It produces the equivalent of its own value, and also produces an excess, a surplus-value, which may itself vary, may be more or less according to circumstances" (pp. 191, 192).

"If we now compare the two processes of producing value and of creating surplus-value, we see that the latter is nothing but a continuation of the former beyond a definite point. If, on the one hand, the process be not carried beyond the point where the value paid by the capitalist for the labour-power is replaced by an exact equivalent, it is simply a process of producing value; if, on the other hand, it be continued beyond that point, it becomes a process of creating surplus-value" (pp. 176, 177).

"Capital has not invented surplus-labour. Wherever a part of society possesses the monopoly of the means of production, the labourer, free or not free, must add to the working time necessary for his own maintenance an extra working time in order to produce the means of subsistence for the owners of the means of production, whether this proprietor be the Athenian *ναυτοὶς ναυαρχὸς* Etruscan theocrat, *civis Romanus*, Norman baron, American slave-owner, Wallachian boyard, modern landlord or capitalist" (p. 218).

That this same idea of the unjust nature of surplus-value is entertained, though in slightly altered form, by the latest exponents of Socialism, in spite of the fact, which will be proved later on, that some of them repudiate the foundation on which the Marxian theory is built,—the labour-theory of value,—will be seen from the following quotation, taken from "Tract No. 69," issued by the Fabian Society, and written by Mr. Sidney Webb, *The*

Difficulties of Individualism (p. 7):—

"When it suits any person having the use of land and capital to employ the worker, this is only done on condition that two important deductions, rent and interest, can be made from his product, for the benefit of two, in this capacity, absolutely unproductive classes—those exercising the bare ownership of land and capital. The reward of labour being thus reduced, on an average by about one-third, the remaining eightpence out of the shilling is then shared between the various classes who *have* co-operated in the production."

Occupying a place in the economic teaching of Socialism similar to that of surplus-value, is that of the evil of industrial competition. Industrial competition, it asserts, springs from and is inseparable from private ownership and management of land and capital, and the only possible method of putting an end to industrial competition and to the evils which it generates, is to abolish such private ownership and management.

Two lines of reasoning are put forward in support of the maleficent influence of competition. The first of these is based on the limitation of competition. Owing, it states, to the inevitable tendency of modern machine production towards the concentration of industry in the hands of a comparatively small number of powerful individual capitalists, or associations of capitalists, competition has become one-sided. These capitalists instead of competing with each other, form monopolistic combinations to exclude competition between themselves. The inevitable trend of industrial progress is towards the extension of such monopolies until they must include every considerable industry in which machinery is largely employed.

While, however, the capitalist is thus enabled to shelter himself from the evil results of competition, the wage-earners remain exposed to all its horrors. The only remedy for this one-sided competition is the total abolition of industrial competition.

Some examples of this line of reasoning will be found in the following quotations. The first is from the Bible of Modern "Scientific" Socialism, Karl Marx's *Capital*

pp. 788, 789: "That which is now to be expropriated is no longer the labourer working for himself, but the capitalist exploiting many labourers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralisation of capital. One capitalist always kills many. . . . Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation. . . . The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with it, and under it."

The following is an extract from *Fabian Essays in Socialism*, the official publication of the Fabian Society, London.¹ It states, pp. 89, 90:—

"I now come to treat of the latest forms of capitalism, the 'ring' and the 'trust' whereby capitalism cancels its own principles, and, as a seller, replaces competition by combination. When capitalism buys labour as a commodity it effects the purchase on the competitive principle. . . . But when it turns round to face the public as a seller, it casts the maxims of competition to the winds and presents itself as a solid combination. Competition, necessary at the outset, is found ultimately, if unchecked, to be wasteful and ruinous. . . ."

"No doubt the 'consumer' has greatly benefited by the increase in production and the fall in prices; but where is 'free competition' now? Almost the only persons still competing freely are the small shopkeepers, trembling on the verge of insolvency, and the working men competing with one another for permission to live by work."

The next quotation is taken from John A. Hobson's *The Evolution of Modern Capitalism*, p. 357, a work which is conceived and executed in a spirit of patient research and careful analysis, which might serve as an example to many opponents of Socialism.

"Since the general tendency of industry, so far as it

¹ *Fabian Essays in Socialism* is a complete exposition of modern English Socialism in its latest and most mature phase (Sidney Webb, *Socialism in England*, p. 38).

Handwritten note: *Hand as merchant*

CHAPTER I

MARX'S THEORY OF VALUE

THE basis of every politico-economic theory is to be found in its conception of value. For the world-wide industrial co-operation, which unites the nations of the earth into one economic society, depends for its existence upon exchange; not only upon exchange of the final product, but also upon exchange of the numerous intermediate products which make their appearance during the production of every commodity. It also depends upon the still more numerous exchanges of labour and services for products. Exchange, however, is itself dependent upon the formation of a concept of value in the minds of the parties to the exchange. The view taken of the concept "value" must, therefore, fundamentally affect the aspect of our industrial organisation.

Socialism, as has been shown, makes no exception to this rule. Its original German exponent, Rodbertus Jagetzow, indicated a theory of value consistent with his general conceptions, which, subsequently, was developed by Karl Marx,¹ who formulates it as follows:—

"That which determines the magnitude of the value of any article is the amount of labour (labour-time) socially necessary for its production."²

Marx also explains that the labour to which he refers must be understood in the following sense:—

I. "The labour-time socially necessary is that required

¹ The theories of Rodbertus are traced to French, and those of Marx to English sources, by Anton Menger, *The Right to the Full Produce of Labour*.
² *Capital*, p. 6; see for full quotation, Part I, chap. 1.

to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time."¹

2. "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone."²

3. "Suppose that every piece of linen in the market contains no more labour-time than is socially necessary. In spite of this, all these pieces, taken as a whole, may have had superfluous labour-time spent upon them. If the market cannot stomach the whole quantity at the normal price of 2s. a yard, this proves that too great a portion of the total labour of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time upon this particular product than is socially necessary. Here we may say with the German proverb: caught together, hung together. All the linen in the market counts but as one article of commerce, of which each piece is only an aliquot part."³

These explanations are so contradictory of each other, and of other statements by the same author, presently to be referred to, that they go a considerable way towards discounting his theory.

In Explanation I the "socially necessary labour-time" which determines value is stated to be dependent upon "the average degree of skill and intensity prevalent at the time." In No. 3 it is stated that if the market cannot take up all the linen produced, at the "normal" price, *i.e.* the price which covers the socially necessary labour-time, "too great a proportion of the total labour of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time upon this particular product than is socially necessary."

¹ *Capital*, p. 6.

² *Ibid.*, pp. 11, 12.

³ *Ibid.*, p. 80.

It is, however, manifest that if it is true that the "average degree of intensity prevalent at the time" is the "socially necessary labour-time," then the average degree of intensity with which linen-weavers work determines the "socially necessary labour-time" for the production of a given quantity of linen, and the value of the linen is determined by this labour-time. Therefore, it is impossible, being a contradiction in terms, that "each individual weaver can expend more labour-time upon this particular product than is socially necessary."

Some weavers may expend more labour-time on a given quantity of linen than "the average prevalent at the time," but all cannot possibly do so. *misapprehension* *the pt of the value*

If all the weavers increase the labour-time expended upon linen, the average of labour-time "prevalent at the time" in the linen industry will rise, and, *ex hypothesi*, the value of linen must rise. Therefore, it cannot be true, that this course would produce the same effect as "if the market cannot stomach the whole quantity at the normal price of 2s. a yard," for such a contingency would reduce the value of linen, a fact which the wording of the quoted sentence proves to have been apprehended by Marx.

If to this reasoning it is objected, that the average skill and intensity of which Marx speaks is that prevalent, not in a single industry, but throughout all industry, the disproof of the objection lies in the following considerations:—

If the average labour-time requisite throughout all industry determines value, the determinant of value, the average labour-time, (is of the same magnitude in all industries) and, as a necessary consequence, the value of the product of all industries must be of the same magnitude, *i.e.* the value of an equal quantity of all products must be the same. One yard of cotton cloth of a given weight (must then) exchange for one yard of any silk-cloth of the same weight; one pound of flour must exchange for one pound of meat, one pound of iron, and for one pound weight of silver and of gold. This we know not to be the case, and if the objection here considered gave true expression to the meaning of Marx's theory, the latter might be dismissed at once as too absurd for further

consideration.

Marx himself, however, makes it quite clear that the theory embodied in this objection is not held by him; though it must be admitted that his own is only a degree less wild. Marx fully recognises that the average labour-time requisite in any industry is determined by other factors besides the skill and intensity of work put forth by the labourers who engage in it, viz. by the appliances and natural opportunities at the disposal of the industry, and, therefore, he regards the average labour-time requisite for the production of any homogeneous product as the measure of the value of that product.

The following quotations bear out this statement:—

"The introduction of power-looms into England probably reduced by one-half the labour required to weave a given quantity of yarn into cloth. The hand-loom weavers, as a matter of fact, continued to require the same time as before; but for all that the product of one hour of their labour represented after the change only half an hour's social labour, and, consequently, fell to one-half its former value."¹

And further:—

"Diamonds are of very rare occurrence on the earth's surface, and hence their discovery costs on an average a great deal of labour-time. . . . With richer mines, the same quantity of labour would embody itself in more diamonds, and their value would fall."²

These statements clearly prove that in Marx's opinion the value of any product is determined by the average labour-time socially necessary in the production of that product, and not by the average labour-time requisite in all production. Therefore, the value of linen is determined by the average labour-time requisite in its production. If that labour-time increases in quantity, by the habitual slowness or want of skill of all linen weavers, the result, therefore, must be a rise in the price of linen, and not a fall, as he asserts in Statement 3.

It is difficult to escape the conclusion that the whole of Statement 3 was framed with a view of avoiding the obvious objection to the labour-time theory of value, that

the price of nearly all articles in large demand varies independently of any variation in the labour-time required for their production.

The contradiction, so far proved, is not the most serious one. The statement contained in Explanation 2, that skilled labour counts only as "simple," "unskilled" labour multiplied, is a still more glaring *petitio principii*.

The basis of Marx's theory is that the value of labour-power is determined by the cost of its production, i.e. by the labour-time requisite to produce the means of subsistence of the labourer and his family. "The value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer."¹

If this be true, the value of the labour-power of a skilled labourer is determined in the same manner. It may be that, in general, skilled labour requires more education and a better standard of living than ordinary labour. But it is certainly not true that on an average the "necessary" cost of maintenance of labour increases *pari passu* with its skill. Therefore the labour-time theory of value is upon the horns of this dilemma. Either the value of skilled labour is determined like that of all labour "by the value of the means of subsistence necessary for the maintenance of the labourer," in which case "a given quantity of skilled labour" is not "considered equal to a greater quantity of simple labour," for this idea involves that of proportion; or this latter statement is true, in which case it is untrue that the value of all labour-power is "the value of the means of subsistence necessary for the maintenance of the labourer." ^{MM adds want}

If, of the two horns, the latter is chosen, the whole of the Marxian theory of surplus value resolves itself into an idle dream, for it is based upon the foundation that all labour-power is purchased at sustenance cost by the capitalist, and sold by him at product value. If the first horn is chosen, Marx's value theory falls to the ground, for it is then admitted that other elements than average labour-time, socially necessary, enter into the value of products.

Moreover, this conversion of skilled into unskilled

¹ *Capital*, p. 149. For fuller quotation see Part I, chap. i.

views the about subjects of value and the measure of value. ¹ *Capital*, p. 6. ² *Ibid.*, p. 7. ³ *Ibid.* ⁴ *Ibid.* ⁵ *Ibid.* ⁶ *Ibid.* ⁷ *Ibid.* ⁸ *Ibid.* ⁹ *Ibid.* ¹⁰ *Ibid.* ¹¹ *Ibid.* ¹² *Ibid.* ¹³ *Ibid.* ¹⁴ *Ibid.* ¹⁵ *Ibid.* ¹⁶ *Ibid.* ¹⁷ *Ibid.* ¹⁸ *Ibid.* ¹⁹ *Ibid.* ²⁰ *Ibid.* ²¹ *Ibid.* ²² *Ibid.* ²³ *Ibid.* ²⁴ *Ibid.* ²⁵ *Ibid.* ²⁶ *Ibid.* ²⁷ *Ibid.* ²⁸ *Ibid.* ²⁹ *Ibid.* ³⁰ *Ibid.* ³¹ *Ibid.* ³² *Ibid.* ³³ *Ibid.* ³⁴ *Ibid.* ³⁵ *Ibid.* ³⁶ *Ibid.* ³⁷ *Ibid.* ³⁸ *Ibid.* ³⁹ *Ibid.* ⁴⁰ *Ibid.* ⁴¹ *Ibid.* ⁴² *Ibid.* ⁴³ *Ibid.* ⁴⁴ *Ibid.* ⁴⁵ *Ibid.* ⁴⁶ *Ibid.* ⁴⁷ *Ibid.* ⁴⁸ *Ibid.* ⁴⁹ *Ibid.* ⁵⁰ *Ibid.* ⁵¹ *Ibid.* ⁵² *Ibid.* ⁵³ *Ibid.* ⁵⁴ *Ibid.* ⁵⁵ *Ibid.* ⁵⁶ *Ibid.* ⁵⁷ *Ibid.* ⁵⁸ *Ibid.* ⁵⁹ *Ibid.* ⁶⁰ *Ibid.* ⁶¹ *Ibid.* ⁶² *Ibid.* ⁶³ *Ibid.* ⁶⁴ *Ibid.* ⁶⁵ *Ibid.* ⁶⁶ *Ibid.* ⁶⁷ *Ibid.* ⁶⁸ *Ibid.* ⁶⁹ *Ibid.* ⁷⁰ *Ibid.* ⁷¹ *Ibid.* ⁷² *Ibid.* ⁷³ *Ibid.* ⁷⁴ *Ibid.* ⁷⁵ *Ibid.* ⁷⁶ *Ibid.* ⁷⁷ *Ibid.* ⁷⁸ *Ibid.* ⁷⁹ *Ibid.* ⁸⁰ *Ibid.* ⁸¹ *Ibid.* ⁸² *Ibid.* ⁸³ *Ibid.* ⁸⁴ *Ibid.* ⁸⁵ *Ibid.* ⁸⁶ *Ibid.* ⁸⁷ *Ibid.* ⁸⁸ *Ibid.* ⁸⁹ *Ibid.* ⁹⁰ *Ibid.* ⁹¹ *Ibid.* ⁹² *Ibid.* ⁹³ *Ibid.* ⁹⁴ *Ibid.* ⁹⁵ *Ibid.* ⁹⁶ *Ibid.* ⁹⁷ *Ibid.* ⁹⁸ *Ibid.* ⁹⁹ *Ibid.* ¹⁰⁰ *Ibid.*

labour-time is a still more obvious juggle than the one previously pointed out, and is similarly devised in order to escape from another inevitable objection to the labour-time theory. Goods produced by skilled labour generally possess a greater value, and frequently possess an infinitely greater value than those produced by ordinary labour in the same time. A sketch produced by an artist in one hour, may, to take an extreme case, possess a hundred times the value of the work done by a house-painter during an equal time. The recognition of this fact is sufficient to completely disprove the theory that "the value of any article is determined by the labour-time socially necessary for its production." Therefore, this transmutation of skilled into unskilled labour had to be devised in spite of its incongruity with the general character of the labour-time theory in order to mask the facts which disprove this theory.

The trick is the same as that involved in the following dialogue:—

A. All coats have the same price.

B. That cannot be so; I saw some coats to-day, and found great differences of price. One actually had a price four times as high as that of the cheapest among them.

A. That is because the more highly priced coats count as less expensive coats multiplied. In the case you mention the most expensive coat counts as four cheaper coats. Therefore your objection has no weight; it remains true that all coats have the same price.

These incongruities throw considerable doubt upon the theory of value according to labour-time. If now, instead of dissecting the statements of its author, the theory is subjected to the test of deduction, if it is compared with the facts which it is intended to explain, the doubt is converted into certainty. For it is then found to be contradicted by the vast majority of the phenomena of value. Grouping these into classes, they are—

Land (patents, copyrights) and other monopolies which possess value, though no labour has been expended in their production. It will be obvious that the element which is altogether absent in one class of values cannot

be the universal determining factor of all values.

Scarce goods of all kinds, which either cannot be reproduced, or the reproduction of which is limited, such as old editions, coins, statues, pictures, rare wines, etc., possess a value which cannot be brought into harmony with labour-time. *→ must not be*

The products of all skilled labour possess a value which, as already pointed out, cannot be (reduced) to the labour-time involved in their production. *→ multiplied by*

The products of the mining and agricultural industries, such as coal, copper, pig-iron, lead, tin, gold, silver, wheat, cotton, wool and many others, differ widely in the labour-time necessary for the production of the several quantities of each of them. While some land used for wheat-growing will only yield 8 or 9 bushels per acre in average seasons, other land yields to the same or a little more labour-time 25 and 20 bushels. In the mining industry the differences are even greater. Yet all the wheat, or iron, or any other of these products has for the same quantity and quality, and in the same market, the same value. If this value, say of wheat, were determined by the *average* labour-time socially necessary to produce wheat, all those who produce wheat on less productive land, and therefore spend more than the average labour-time in the production of a given quantity, would be at a permanent disadvantage, and those who produce wheat on or near the marginal land, *i.e.* the least productive in use, would be heavy losers year after year. *i.e. wealth & labour in Marx's account*

It is manifestly unthinkable that the farmers who produce this wheat would or could persevere in this disastrous course year after year. In the Australian colonies, at any rate, they are not large capitalists, and would in two or three years find themselves in the bankruptcy court.

The fact is, that unless the value of wheat over an average of seasons is high enough to compensate for the labour-time necessary to produce wheat at the margin of cultivation, *i.e.* on the least productive land used, wheat cultivation on such land is abandoned. The same fact can be observed in all extractive industries, and is equally true, though less easily proved, of all other industries.

The value of goods must, therefore, on the whole be equal to or come near to the greatest amount, and not to the average amount, of labour-time socially necessary to produce the total quantity of such goods which the market requires.

Not only all the products of the extractive industries, but also most of the manufactures, into the composition of which these largely enter, are subject to frequent changes in value, without any alteration in the average labour-time socially necessary for their production. Changes in the value of agricultural products, dependent upon climatic influences, may occasionally be consistent with increase or reduction in labour-time, owing to more or less favourable harvests. Apart from these, however, the market registers, daily, weekly and monthly changes in the value of such products, which cannot be connected with any such cause. Variations in the value of mineral products and their derivatives, which are of frequent occurrence, also cannot be due to any such cause. It is doubtful whether, in the course of these frequent variations, the value of such goods ever approaches that which would be congruous with the average labour-time socially necessary for their production, and it is obvious that, generally there can be no such congruity.

The same phenomenon may be observed with regard to all goods liable to sudden increases or reductions of demand, *i.e.* fashionable goods.

Protective duties as well as revenue duties generally increase the price of the goods to which they apply without the least increase in the labour-time necessary for their production. This not only holds good with regard to the goods on which the duty has been paid, but also with regard to similar goods, locally produced, on which no such duty has been paid.

The value of all goods which for their production require lengthy processes generally exceeds the value of those which require shorter processes, though the average labour-time involved is the same or less. The differences in the value of new and old wines, and the value of old and useful trees, suggest themselves as

convenient examples of this fact.

These facts, embracing almost all the phenomena of value, prove that, while some goods may occasionally possess a value equal to the average labour-time socially necessary for their production, such correspondence is an accident instead of being the rule with regard to all values. A theory which predicates, as a fact universally true of all related phenomena, a relation which is generally absent from all of them, and which only occasionally may exist with regard to some, possesses no element of validity. Whether the Marxian theory of value is examined with regard to the congruity of its various parts; or whether it is examined with regard to its congruity with the phenomena of value which it is intended to relate and explain, the result is the same. Both methods show it to be a hypothesis ill-considered and untenable.

This truth is now admitted by a considerable body of socialists.¹ But not only is Marx's theory still generally accepted as true by the vast majority of socialists; not only do those who reject the theory nevertheless countenance its being taught to the great body of their followers,² but all socialists retain their belief in deductions which Marx made from this theory, and for which it seems to be the necessary basis. Nay it is even maintained that Jevon's utterly divergent theory still more fully sustains these deductions.³ For all these reasons, and in spite of its repudiation by the Fabian socialists, a detailed

¹ "English socialists are by no means blind worshippers of Karl Marx. Whilst recognising his valuable services to economic history, and as a stirrer of men's minds, a large number of English socialist economists reject his special contributions to pure economics. His theory of value meets with little support in English economic circles, where that of Jevons is becoming increasingly dominant."—*Socialism in England*, by Sidney Webb, pp. 84, 85.

² "The theory of value has a different history. Like the rainbow theory, it began by being simple enough for the most unsophisticated audience, and ended by becoming so subtle that its popularisation is out of the question, especially as the old theory is helped by the sentiments of approbation it excites; whereas the scientific theory is ruthlessly indifferent to the moral sense. The result is that the old theory is the only one available for general use among socialists. It has accordingly been adopted by them in the form (as far as that form is popularly intelligible) laid down in the first volume of Karl Marx's *Capital*."—"The

Illusions of Socialism," by Bernard Shaw, in *Forecast of the Coming Century*, p. 164.

³ "Possibly if Jevons had foreseen that his theory would make Socialism economically irrefutable... his scientific integrity might also have gone by the board."—*Socialism in England*, by Sidney Webb, p. 106.

refutation of Marx's theory of value was necessary; and for the same reasons, as well as in order to clear the way for subsequent refutations of other economic theories of Socialism, it is advisable now to enter upon an exposition of the law of value accepted as true by those socialists who repudiate the Marxian theory and by economists generally. I refer to Jevons's quantitative theory of value as developed and extended by the Austrian school of economists.

CHAPTER II

THE QUANTITATIVE THEORY OF VALUE

JEVON'S theory of value takes human desire as its starting-point. Commodities possess value because they can satisfy some want or desire of man, *i.e.* because they possess utility. The desire for any commodity may, however, be so fully met by an increase of supply, that the desire becomes extinguished; while, on the other hand, a reduction in the supply of some commodities, if large enough, may cause the desire for them to become irresistible. "We may state as a general law that the degree of utility varies with the quantity of commodity, and ultimately decreases as that quantity increases."¹

The several portions of the same stock of a commodity, therefore, possess different degrees of utility. As, however, any two equal quantities of the same commodity are interchangeable, either will be taken with absolute indifference by any purchaser. Hence no one will give more for any equal portion of a stock of a commodity than for that portion which possesses the least utility. Hence the value of the whole stock of any commodity is determined by the utility of its final portion, *i.e.* by its final utility.

Jevons's exposition of the quantitative theory of value, though true as far as it goes, embraces but a limited series of the phenomena of value. It has received the necessary extension at the hand of the Austrian school of economists, whose conclusions are now generally accepted. In the following, necessarily much condensed, summary of their teaching, I lean largely upon Professor von Böhm-Bawerk's profound exposition in *The Positive Theory of Capital*.

¹ Jevons, *The Theory of Political Economy*, 3rd edition, p. 53.

all their products. If they could combine to prevent an increase in supply, they could prevent, as in protectionist countries they have frequently reduced, the fall in value. When, however, such a fall in the cost of production takes place, the supply generally does increase, either through the desire of previous producers to reap the increased profit from a greater number of sales; or through the desire of capitalists to share in the exceptionally high profit, by joining in the production of the article in question; or from both these causes. As a consequence, the wants which previously were fully supplied cannot absorb the additional supply; lower levels of wants must be appealed to, and can only be induced to take up the new supply if it can be obtained with a smaller sacrifice, *i.e.* at less cost. But as all parts of the whole stock are interchangeable, no one will give more for any of them than the marginal buyers offer for the new supply. Hence the value imposed on this new supply by the new and lower wants to which it appeals, fixes the value of the whole supply, and not its cost of production, and the marginal cost of production must assimilate itself to this new value.

Similarly, if the desire for a commodity declines, the cost of production will tend to assimilate itself to the lower value. Marginal producers, *i.e.* those who produce at the highest cost of production, and who find the new value unprofitable, will curtail and eventually abandon production. A lower cost of production thus forms the margin, while the lessened supply may and ultimately will produce a higher marginal utility, either preventing a further fall in value or raising value again. From both ends, therefore, tendencies arise which assimilate the cost of production to the new marginal utility of the product. It is not the cost of the production, but the anticipated value of the product, which is the dynamic force and determines the course of industry. For cost of production, that is the sum of exertions, merely acts as a brake; the active cause of all economic actions is consumption, the satisfaction of human desires, the well-being of man.

CHAPTER III

ORIGIN AND NATURE OF CAPITAL

SOCIALISM posits private ownership of capital as the cause of all or nearly all social injustice. Capital and capitalism are the terms most frequently encountered in its literature, and they are the favoured objects of denunciation. It might, therefore, be supposed that the Socialism which claims to be "scientific" had made a close and serious study of the thing capital—that it had analysed it and clearly conceived what it is. Yet, strange to say, the opposite is the case. The endless mass of socialist literature which overburdens the student contains but few attempts at any definition of capital, and not one serious attempt to determine its nature and functions. Not one makes any distinction between capital, which is the result of labour applied to natural objects, and monopolies, which are the creation of legislative enactments; and, though land and capital are frequently differentiated, such difference is not infrequently denied, either directly¹ or indirectly.² The few definitions of capital to be found in socialist literature all suffer from the same fault. The most important of these is that of Carl Marx, who devotes a chapter of *Capital* to its

¹ "When we consider what is usually called capital, we are at a loss to disentangle it from land, as we are to find land which does not partake of the attributes of capital."—Fabian Tract No. 7, *Capital and Land*.

² "I know that it has been sometimes said by socialists: 'Let us allow the manufacturer to keep his mill and the Duke of Argyll to keep his land, as long as they do not use them for exploitation by letting them out to others on condition of receiving a part of the wealth created by these others....' Unluckily, there are no unappropriated acres and factory sites in England sufficiently advantageous to be used as efficient substitutes for those upon which private property has fastened."—*Fabian Essays*, pp. 139, 140.

The *petitio principii*, substituting "factory sites" in the second sentence for "mills" in the first, is a sleight-of-hand, characteristic of the manner in which prominent socialists endeavour to obscure the land question.

elucidation,¹ and from which the following statements are extracted:—

“The circulation of commodities is the starting-point of capital. The production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical groundwork from which it rises. . . .”

“As a matter of history, capital, as opposed to landed property, invariably takes the form at first of money; it appears as moneyed wealth, as the capital of the merchant and the usurer. But we have no need to refer to the origin of capital in order to discover that the first form of appearance of capital is money. We can see it daily under our very eyes. All new capital, to commence with, comes on the stage, that is, on the market, whether for commodities, labour or money, even in our days, in the shape of money that by a definite process has to be transformed into capital.”

This process of transformation is thus described:—
 “The simplest form of the circulation of commodities is C—M—C, the transformation of commodities into money, and the change of the money back again into commodities, or selling in order to buy. But alongside of this form we find another specifically different form: M—C—M, the transformation of money into commodities, and the change of commodities back again into money, or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital. . . .”

“In the circulation C—M—C, the money is in the end converted into a commodity, that serves as a use-value; it is spent once for all. In the inverted form M—C—M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity he throws money into circulation, in order to withdraw it again by the sale of some commodity. He lets the money go, but only with the sly intention of getting it back again. The money, therefore, is not spent, it is merely advanced. . . .”

¹ *The General Formula for Capital*, vol. I, Part II, chap. iv.

“The circuit C—M—C starts with one commodity and finishes with another. Consumption, the satisfaction of wants, in one word, use-value, is its end and aim. The circuit M—C—M—, on the contrary, commences with money and ends with money. Its leading motive, and the goal that tracts it, is, therefore, mere exchange-value. . . .”

“To exchange £100 for cotton, and then this cotton again for £100, is merely a roundabout way of exchanging money for money, the same for the same, and appears an operation just as purposeless as it is absurd. One sum of money is distinguished from another only by its amount. The character and tendency of the process M—C—M is, therefore, not due to any qualitative difference between its extremes, both being money, but solely to their quantitative difference. More money is withdrawn from circulation at the finish than was thrown into it at the start. The cotton that was bought for £100 is perhaps resold for £100 plus £10 or £110. The exact form of this process is therefore M—C—M', where M'=M⁺—M= the original sum advanced plus an increment. This increment or excess over the original value I call surplus-value. *The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital.* . . .”

“As the conscious representative of this movement, the possessor of money becomes a capitalist. . . .”

“It (value) differentiates itself as original-value from itself as surplus-value, as the father differentiates himself from himself *qua* the son, yet both are one and of one age; for only by the surplus-value of £10 does the £100 originally advanced become capital: . . . M—M', money which begets money—such is the description of capital from the mouths of its first interpreters, the mercantilists.

“Buying in order to sell, or more accurately, buying in order to sell dearer, M—C—M' . . . is therefore in reality the general formula of capital as it appears *prima facie* within the sphere of circulation.”¹

¹ The italics are ours.

Apart from such misconceptions as the one that all capital makes its first appearance in the form of money, which do not concern us here, the foregoing quotations make quite clear Marx's conception of capital, viz. that it consists of all valuable things which yield an income to their possessors, and that it excludes all such things which either permanently or temporarily yield no income. The italicised sentences leave no shadow of doubt as to this meaning. No distinction is, therefore, made by him between the use of money (to adhere to his term) in directions which, while yielding an income to its possessor, add to the general income of the social body, and between the use of money which yields to its possessor an income which is deducted from the general income of the social body.

Moreover, the tenor of the argument implies that all incomes from capital are uncompensated deductions from the general income, that "buying in order to sell," inclusive of the transactions of manufacturers who buy, say cotton in order to sell yarn, is an activity which renders no service whatever. That this view is fully held and deliberately enforced by Marx is not only shown in the development of his surplus-value theory, but also in the following reference to capital:—

"We know that the means of production and subsistence, while they remain the property of the immediate producer, are not capital. They become capital only under circumstances in which they serve, at the same time, as means of exploitation and subjection of the labourer."¹

Here Marx still pursues the same theory, though the change in expression makes its meaning more clear. The only characteristic which differentiates capital from general wealth is its use as a "means of exploitation and subjection of the labourer." Anything not so used is not capital, and any income derived from capital is therefore, "exploited" from the labourer.

Apart from the confirmation of the deductions made from previous quotations, which this passage yields, it

¹ *Capital*, p. 792.

leads to curious results in another direction. For, if true, any machine or other instrument of production which for the time being is not used, or is used by an immediate producer, say a farmer, is not capital. If the farmer engages a workman to drive the engine it becomes capital. A cotton-mill worked by a Co-operative Society could not be capital; if worked by a private employer it might be capital, provided it returned a profit; but if worked at a loss it could not possibly be capital. For, obviously, neither in the co-operative mill nor in that worked at a loss, are "the means of production used as the means of exploitation and subjection of the labourer," while in the private mill, returning a profit, they may be so used. As reasonably may it be held that a gun is not a firearm if it is used for shooting game, but if it is used for shooting a man, then it becomes a firearm.

The foregoing examination proves that Marx made no attempt to find out what capital is, but that he framed his definitions to suit certain deductions which he desired to make from them.

La Propriété, by Paul Lafargue, furnishes (p. 303) another definition, viz.:—

"Under capital, one understands all property which affords interest, rent, income, or profits."

Lafargue also, therefore, makes no distinction whatever between land, labour-products, and monopoly-rights, but classes them all as capital. But subsequently he limits this generalisation as follows:—

"A sum of money put at interest is capital; any instrument of labour (land, weaving-loom, metal works, ships, etc.) used not by its proprietor, but by salaried persons, is capital. But the land which is cultivated by its peasant-owner with the aid of his family, the poacher's gun, the fisherman's boat . . . although they are property, are not capital."

This, however, is not merely a limitation, but an absolute contradiction of the principal proposition. For if "all property which affords . . . income or profits" is capital, then the peasant-proprietor's land and the fisherman's boat also are capital, if they "afford an

income or profit" to their owners when used by them, which generally is the case.

Moreover, according to this limitation, land is not capital if the owner and say two sons work it; but should one of the three be injured, so that a hired man must be engaged to take his place; or should threatening weather at harvest time compel the engagement of an additional worker so as to hasten the operation, then it would at once become capital and the proprietor a capitalist.

Laurence Gronlund, in *The Co-operative Commonwealth* gives the following definitions, pp. 29, 30:—

"We, therefore, mean by capital that part of wealth which yields its possessors an income without work." . . . "Capital is accumulated fleecings, accumulated, withheld wages."

This view is supported by a greater authority, Frederick Engel, who, in *Socialism, Utopian and Scientific*, p. 43, states:—

"The appropriation of unpaid labour is the basis of the capitalist mode of production, and of the exploitation of workers that occurs under it; even if the capitalist buys the labour-power of his labourer at its full value as a commodity on the market, he yet extracts more value from it than he paid for; and in the ultimate analysis this surplus-value forms those sums of value, from which are heaped up the constantly increasing masses of capital in the hands of the possessing classes."

These definite statements embody most clearly the general conception which socialist writers and teachers wish to convey, viz. that capital, privately owned, not merely robs the workers, but is itself stolen from them, and that any property which yields an income without work is capital. It cannot be denied that socialists, as well as any one else, have a perfect right to define the terms they use as seems good to them, provided the definition is consistent within itself, and is not subsequently departed from. Whether the definition is useful, or whether it tends to obscure the facts under consideration, is, however, another question. The definitions before us

embrace objects, the origin, nature and influence of which differ so widely from each other, that their agglomeration under one definition has consequences of the most misleading and mischievous character. The present chapter will be devoted to the elucidation of what, in contradistinction to monopoly-rights and other spurious forms of capital, may be called real capital, leaving the treatment of the former as well as of land to subsequent chapters.

All the useful things which constitute wealth are the result of human exertion exercised upon matter in the direction of changing its form or relation so as to fit it for the satisfaction of human desires. But not all such exertion adds to the stock of wealth. Apart from all other cases, it is obvious that labour directed towards the immediate satisfaction of desire fails to do so. For if a man gathering berries puts them in his mouth and eats them, there is no production of wealth; but if, instead, he puts them into a basket for subsequent use, the stock of wealth is increased. In order, therefore, that such a simple form of wealth as berries should be produced, some labour had to be expended in advance on the production of something not wanted for its own sake, and unable of itself to satisfy desire.

Take another case. A man, wanting water from a spring at some distance from his hut, may satisfy his desire by going there and raising the water in his bent hands till he has quenched his thirst. But if he takes a piece of wood, hollows it out with fire, and attaches a handle made of twisted reeds, he not only can obtain more water, but can carry it to his hut where it is wanted. Manifestly, however, in order to obtain this greater quantity of water, and in order to carry it where it was wanted, he had to proceed in a roundabout way—that is, he had first to make something for which he had no direct desire, a pail. If he now wants more water still, he may cut down a tree, saw it into boards, make these boards into a flume, and along this channel an infinitely greater amount of water will be carried to his hut by gravitation, *i.e.* without any further exertion on his part than that of occasionally keeping the flume in order.

individual labour, appropriated by the capitalist-employer.¹

As Marx himself admits that the creation of surplus-value, in his theory, is merely an extension beyond a certain point of the production of value generally,² the demonstration, given in Part II. chapter i. of the erroneous nature of his theory of value destroys the basis on which his conception of surplus-value rests. For if the value of labour-power is not determined by the consumption of the labourer and his family, and if the value of goods is determined by other factors than the average labour-time socially requisite to produce them, then the difference between the value of labour-power and labour-product does not necessarily arise from the unpaid appropriation by the employer of part of the labour-power. The importance of the subject is, however, far too great to allow it to rest at this point, and requires a complete examination. In this and the following chapters, therefore, an endeavour will be made to show that this entire conception of the origin of surplus-value is crude and misleading, first by showing that the theory is contradicted by facts, secondly, and at greater length, by a careful examination of the component parts of surplus-value.

If the Marxian conception of the origin and nature of the tribute which is undoubtedly exacted from labour were true, *all* surplus-value must be a deduction from the product of individual labour. If it can be shown that there are cases in which surplus-value arises which can be seen by him who runs not to be deducted from the product of such labour, the conception must be false. The following examples furnish such instances:—

A jeweller employs five women in sorting and stringing pearls. His capital is, say, £150,000, and his annual sales of strings of pearls amount to £100,000. His average annual clear profit is, say, £8,000. If this sum represents a deduction from the produce of individual labour, it must be deducted from the labour-product of the five women whom the jeweller employs. Each of them must,

CHAPTER VII SURPLUS-VALUE

As shown in Part I, chapter i., one of the fundamental theories of the economic teaching of Socialism is that of surplus-value as set forth in Marx's *Capital*. Starting from the conception that the value of any commodity is determined by the average labour-time socially necessary for its production—a conception which, as already stated is now repudiated by many Socialists themselves—he arrives at the conclusion that the value of labour, *i.e.* wages, is similarly determined by the necessary cost of maintenance of the labourer and his family, *i.e.* the labour-time necessary to produce his labour-power. On this foundation—shown to be false in Part II. chapter i.—he erects the theory of surplus-value. Shortly stated it runs: The average labour-day (labour-power) is largely in excess of the time required by the labourer to produce the equivalent of his maintenance (labour-value). The excess of time spent in labouring produces a surplus-value which, being appropriated by the employer, becomes ultimately divisible into rent, interest, and profit. Supposing the labour-day to number twelve (12) hours, and six hours to be sufficient to produce the value required for the labourer's maintenance or wages, it follows that the other six hours are spent in labouring for the exclusive benefit of the capitalist-employer. His gain, the surplus-value, therefore, arises from the unpaid appropriation of a part of the labour-time of every labourer, *i.e.* from that part of the value of the product of individual labour which exceeds the cost of the labourer's maintenance. Surplus-value, therefore, is a deduction from the product of

¹ For quotations see Book I. chapter i.

² See quotation from *Capital*, p. 176, 177, in Part I. chapter i. p. 5.

therefore, be entitled to an addition of £1,600 a year to the wages which she is actually receiving.

If, to this *reductio ad absurdum*, it is objected, that the surplus-value of £8,000 may, as to its greater part, be deducted from the product of the labour of the divers and other labourers employed in harvesting the pearls from the ocean-bed, and transporting them to the jeweller's shop, the reply is obvious. These men were not employed by the jeweller, but by preceding capitalists, who, according to the supposition, themselves extracted surplus-value from the labour of their workmen. The price which the jeweller paid for the pearls included this surplus-value, just as the price which his customers pay to him includes any surplus-value he may receive. The surplus-value which he exacts, therefore, is additional to that exacted by previous employers, and, if it is a deduction from the produce of individual labour, it can only be deducted from that of the labour which he has employed, viz. five women. Unless, therefore, it is contended that the labour-product of each of these five women exceeds £1,600 a year, this surplus-value must be admitted to be no deduction from the produce of labour.

The following case is even more decisive. A *vignerom* obtains from his vineyard new wine to the value of £100, constituting the entire return of the year's harvest. He keeps this wine for ten years, at the end of which period, and without any labour having been done to it in the interval, the wine possesses a value of £200. From whose labour has this surplus-value of £100 been deducted? The only labourers who could be victimised are those who were employed in attendance on the vines, plucking grapes, and making the wine. When their labour ceased its entire produce, inclusive of that of the *vignerom's* own labour, had a value of £100 only. The additional £100 which makes its appearance subsequent to the cessation of their labour, cannot be the product of the latter, and cannot, therefore, be a deduction from the product of their or any other man's labour.¹

These two examples will suffice to show the erroneous nature of the Marxian theory of surplus-value on which Socialism is based. A close examination of the phenomenon moreover, shows that surplus-value is a compound of many elements, some of which are natural consequences of the mental constitution of man and of his physical environment, and not in any sense deducted from the product of individual labour; while others, which constitute such deductions, are the result of limitations placed on the equal freedom of men by legislative enactments which confer special privileges on some. Of these latter, monopoly-tribute or spurious interest has already been dealt with in so far as its origin is concerned. The next few chapters will be devoted to the examination of other component parts of surplus-value, and to that of the influence which each of them exercises upon the earnings of labour.

¹ Both examples are a free rendering of those given in *Capital and Interest* by von Bohm-Bawerk.

have discovered in the colonies the truth as to the conditions of capitalist production in the mother-country. As the system of protection at its origin attempted to manufacture capitalists artificially in the mother-country, so Wakefield's colonisation theory . . . attempted to effect the manufacture of wage-workers in the colonies.

'First of all, Wakefield discovered that in the colonies property in money, means of subsistence, machines, and other means of production, do not as yet stamp a man as a capitalist if there be wanting the correlative—a man wage-worker, the other man who is compelled to sell himself of his own free-will. He discovered that capital is not a thing, but a social relation between persons, established by the instrumentality of things. Mr. Peel, he moans, took with him from England to Swan River, West Australia, means of subsistence and of production to the amount of £50,000. Mr. Peel had the foresight to bring with him, besides, 3,000 persons of the working class—men, women, and children. Once arrived at his destination, 'Mr. Peel was left without a servant to make his bed or fetch him water from the river.'

'In the Northern States of the American Union,' says Wakefield, 'it may be doubted whether so many as a tenth of the people would fall under the description of hired labourers. . . . In England . . . the labouring class compose the bulk of the people.' Nay, the impulse to self-expropriation, on the part of labouring humanity, for the glory of capital, exists so little, that slavery, according to Wakefield himself, is the sole natural basis of colonial wealth. . . . 'The first Spanish settlers in San Domingo did not obtain labourers from Spain. But without labourers their capital must have perished, or at least must soon have been diminished to that small amount which each individual could employ with his own hands.' . . . We have seen that the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production. The essence of a free colony, on the contrary, consists in this: that the bulk of the soil is still public property, and every settler on it, therefore, can turn part of it into his private property

CHAPTER VIII

CONFIRMATION BY SOCIALISTS

THIS demonstration of the sufficiency of the Single Tax system to secure social justice and raise the masses of mankind to a higher plane would be incomplete without the inclusion of affirmative declarations by leading socialist writers. This, the final chapter, therefore, will be devoted to the demonstration that socialists also, at least occasionally, trace to private ownership of land the subjection of labour which they generally attribute to the independent action of private capital; and that they also admit the impotence of capital against labour in the absence of land monopoly.

Karl Marx devotes the final chapter of *Capital* to an exposition of *The Modern Theory of Colonisation* as propounded by that observant economist and cold-blooded Philistine, E. G. Wakefield, between the years 1833 and 1835. Marx's comments clearly prove that he fully agrees with Wakefield in the latter's exposition of the cause of the absence of capitalistic oppression, the independence and prosperity of labour, and the comparative homogeneity of the people of the Australian colonies and the United States at the time, "none being poor and none very rich"; and also, that he admits the efficiency of the measures proposed by Wakefield to alter these features of colonial life, and subject the people to capitalistic domination.

The following extracts will show this in detail:—¹
"It is the great merit of E. G. Wakefield to have discovered, not anything new about the colonies, but to

¹ *Capital*, pp. 791-800.

and individual means of production without hindering the later settlers in the same operation. This is the secret both of the prosperity of the colonies and of their inveterate vice—opposition to the establishment of capital. 'Where land is very cheap and all men are free, where every one who pleases can easily obtain a piece of land for himself, not only is labour very dear, as respects the labourers' share of the produce, but the difficulty is to obtain combined labour at any price.' . . .

The sentence in the foregoing quotation, stating that the possession of capital does not stamp a man as a capitalist in the absence of the man who is compelled to sell himself, is seen to be in full agreement with the Single Tax theory when Marx's definition of capital as an instrument of exploitation is remembered. It admits that where labour is independent, where labourers have the opportunity to employ themselves, the private possession of capital confers no power of dominating and exploiting labour. Nor does Marx leave any doubt as to what constitutes "the instrumentality of things" which establishes the "social relation" in which the possession of capital converts a man into a capitalist, *i.e.* confers upon him the power to exploit labour. For he declares that "the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production"; that easy access to land "is the essence of a free colony," is the secret both of the prosperity of the colonies and of their freedom from capitalistic domination. And further, he quotes with approval, "Where land is very cheap and all men are free, where every one who pleases can easily obtain a piece of land for himself, not only is labour very dear, . . . but the difficulty is to obtain combined labour at any price." That is, Marx admits that free access to land, by enabling some labourers to employ themselves, raises the wages of all labour to a high level and substitutes for the existing competition between labourers for employment the competition of capitalists with each other for labourers. And he further admits the contention that, under such conditions, labour having access to land, the position of labour in higgling

for its reward is stronger than that of capitalists, for he again quotes with approval, "Without labourers their capital must have perished, or at least must soon have been diminished to that small amount which each individual could employ with his own hands."

Yet, with the full knowledge of these truths, knowing that capitalistic oppression arises from land monopoly and cannot exist in the absence of land monopoly, Marx and his followers have advocated and still advocate, not merely the abolition of land monopoly, but the abolition of that which they themselves show to be innocuous in the absence of land monopoly—the private ownership of capital.

The following quotation makes these admissions in even a clearer manner:—

"The great beauty of capitalist production consists in this—that it not only constantly reproduces the wage-worker as wage-worker, but produces always, in proportion to the accumulation of capital, a relative surplus population of wage-workers. Thus the law of supply and demand of labour is kept in the right rut, the oscillation of wages is penned within limits satisfactory to capitalistic exploitation, and lastly, the social dependence of the labourer on the capitalist, that indispensable requisite, is secured—an unmistakable relation of dependence, which the snug political economist can transmogrify into one of free contract between buyer and seller, between equally independent owners of commodities, the owner of the commodity capital and the owner of the commodity labour. But in the colonies this pretty fancy is torn asunder. The absolute population here increases much more quickly than in the mother-country, because many labourers enter this world as ready-made adults, and yet the labour market is always understocked. The law of supply and demand of labour falls to pieces. The wage-worker of to-day is to-morrow an independent peasant, or artisan, working for himself. He vanishes from the labour market, but not into the workhouse. This constant transformation of the wage-labourers into independent producers, who work for themselves instead of for capital, and enrich themselves instead of the capitalist

gentry, reacts in its turn very perversely on the conditions of the labour market. Not only does the degree of the exploitation of the wage-labourers remain indecently low; the wage-labourer loses into the bargain, along with the relation of dependence, also the sentiment of dependence on the abstemious capitalist. Hence all the inconveniences that our E. G. Wakefield pictures so doughtily, so eloquently, so pathetically.

“The supply of wage-labour, he complains, is neither constant, nor regular, nor sufficient. ‘The supply of labour is always, not only small, but uncertain!’ ‘Though the produce divided between the capitalist and the labourer be large, the labourer takes so great a share that he soon becomes a capitalist. . . . Few even of those whose lives are unusually long can accumulate great masses of wealth.’ The labourers most distinctly decline to allow the capitalist to abstain from the payment of the greater part of their labour. It avails him nothing if he is so cunning as to import from Europe, with his own capital, his own wage-workers. They soon ‘cease . . . to be labourers for hire; they . . . become independent landowners, if not competitors with their former masters, in the labour market.’ . . . On account of the high wages, says his disciple Merivale, there is in the colonies ‘the urgent desire for cheaper and more subservient labourers—for a class to whom the capitalist might dictate terms, instead of being dictated to by them. . . . In ancient civilised countries the labourer, though free, is by a law of nature dependent upon the capitalists; in colonies this dependence must be created by artificial means.’ . . .

After Wakefield has contrasted the English capitalist agriculture and its ‘combined’ labour with the scattered cultivation of American peasants, he unwittingly gives us a reverse of the medal. He depicts the mass of the American people as well-to-do, independent, enterprising, and comparatively cultured, whilst ‘the English agricultural labourer is a miserable wretch, a pauper. . . . In what country, except North America and some colonies, do the wages of free labour employed in agriculture much exceed the bare subsistence for the labourer?’”

Thus it is admitted that where land is easily accessible to labour the labour market is never overstocked; the passing of some wage-workers from the labour market to the land, reacting upon the labour market, keeps wages high; wage-labourers, having thus ceased to be dependent upon capitalists, lose also the sentiment of dependence; wages are so high that workers soon own capital and great masses of wealth cannot be accumulated.

The following quotation shows the reverse of the medal, *i.e.* how a high price and consequent monopoly of land enslave labour; and how under such conditions a surplus of labour and an artificially enhanced competition of labourers for employment can be created by measures, the failure of which to achieve this object when land is easily accessible has been admitted in the preceding quotation:—

“How then to heal the anti-capitalistic cancer of the colonies? . . . Let the Government put upon the virgin soil an artificial price independent of the law of supply and demand, a price that compels the immigrant to work a long time for wages before he can earn enough money to buy land and turn himself into an independent peasant. The funds resulting from the sale of land at a price relatively prohibitory for the wage-workers, this violation of the sacred law of supply and demand, the Government is to employ, on the other hand, in proportion as it grows, to import have-nothings from Europe into the colonies, and thus keep the wage-labour market full for the capitalists. . . . By this plan, Wakefield cries in triumph, ‘the supply of labour *must* be constant and regular, because, first, as no labourer would be able to procure land until he had worked for money, all immigrant labourers, working for a time for wages and in combination, would produce capital for the employment of more labourers; secondly, because every labourer who left off working for wages and became a landowner would, by purchasing land, provide a fund for bringing fresh labour to the colony.’ The price of the soil imposed by the State must, of course, be a ‘sufficient price,’ *i.e.* so

high 'as to prevent the labourers from becoming independent landowners until others had followed to take their place.' This 'sufficient price for the land' is nothing but a euphemistic circumlocution for the ransom which the labourer pays to the capitalist for leave to retire from the wage-labour market to the land.

Marx concludes the chapter from which these quotations have been extracted, and his book, with the following observations:—

"However, we are not concerned with the condition of the colonies. The only thing that interests us is the secret discovered in the New World by the political economy of the Old World, and proclaimed on the house-tops, that the capitalist mode of production and accumulation, and therefore capitalist private property, have for their fundamental condition the annihilation of self-earned private property—in other words, the expropriation of the labourer—that is, the exclusion of labour from the land."

Open the land to labour, give to all equal rights and equal access to land, and what Marx terms "the capitalist mode of production," the subjection of labour, is ended, as he himself shows.

Later socialists, no less than Marx himself, occasionally make these admissions, as the following examples prove:—

"On Socialism the analysis of the economic action of Individualism bears as a discovery, in the private appropriation of land, of the source of those unjust privileges against which Socialism is aimed. It is practically a demonstration that public property in land is the basic economic condition of Socialism. . . . The income of a private proprietor" (of land) "can be distinguished by the fact that he obtains it unconditionally and gratuitously. . . . Socialism involves discontinuance of the payment of these incomes, and addition of the wealth so saved to incomes derived from labour. . . . Economic rent, arising as it does from variations of fertility or advantages of situation, must always be held as common

or social wealth, and used, as the revenues raised by taxation are now used, for public purposes."¹

The Fabian essayist admits, as Marx admits, that "the private appropriation of land is the source of those unjust privileges against which Socialism is aimed"; explains that the rent of land must be substituted for revenues raised by taxation, as the fund from which public expenditure may be met. This obviously is the Single Tax doctrine. Why, then, insist upon the public ownership and management of capital? If the essayist is right, the latter is the merest surplusage.

"The growth of knowledge of political economy made it constantly more apparent that the Radical ideal of 'equality of opportunity' is absolutely impossible of attainment, even in infinite time, so long as individual ownership of land exists."²

"What the achievement of Socialism involves economically, is the transfer of rent from the class which now appropriates it to the whole people. Rent being that part of the produce which is individually unearned, this is the only equitable method of disposing of it. There is no means of getting rid of economic rent. So long as the fertility of land varies from acre to acre, and the number of persons passing by a shopwindow per hour varies from street to street, with the result that two farmers or two shopkeepers, of exactly equal intelligence and industry, will reap unequal returns from their year's work, so long will it be equitable to take from the richer farmer or shopkeeper the excess over his fellow's gain which he owes to the bounty of Nature or the advantage of situation, and divide that excess or rent equally between the two. If the pair of farms or shops be left in the hands of a private landlord he will take the excess, and instead of dividing it between his two tenants, live on it himself idly at their expense. Socialism is not, of course, to equalise farmers and shopkeepers in couples, but to carry out the principle over the whole community by collecting all rents and throwing them into the national treasury.

¹ *Fabian Essays*, pp. 26, 27.

² Sidney Webb, *Socialism in England*, p. 20.