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BERTRAND RUSSELL

(1872-1970)



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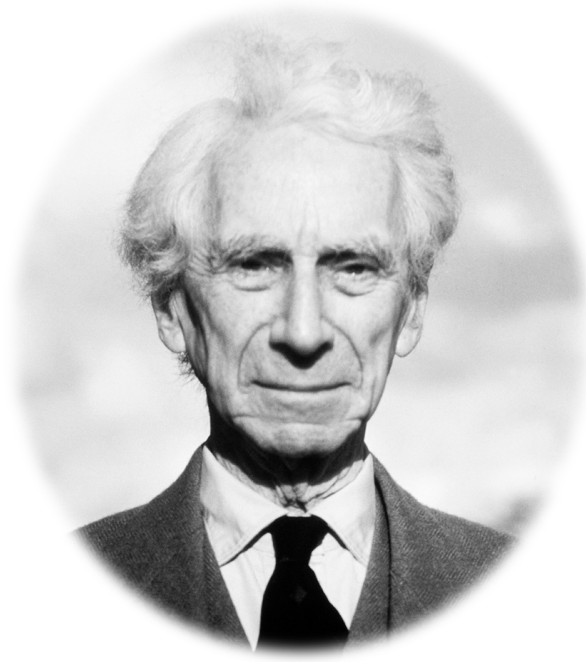
The Delphi Classics Catalogue

A handwritten signature of Bertrand Russell in black ink. The signature is written in a cursive style, with the first name 'Bertrand' and the last name 'Russell' clearly legible.

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Version 1

The Collected Works of
BERTRAND RUSSELL



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Collected Works of Bertrand Russell

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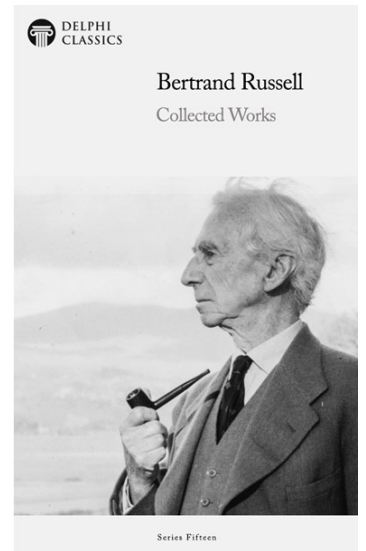
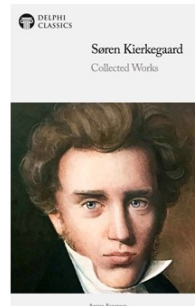
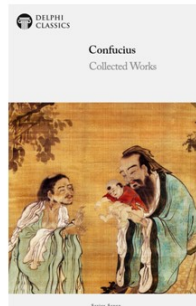
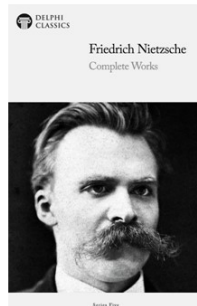
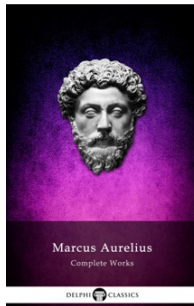
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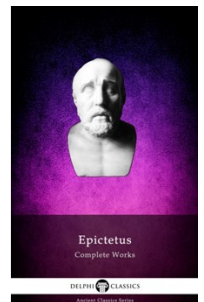
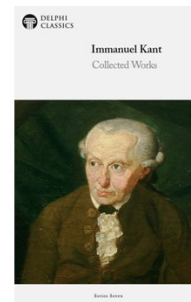
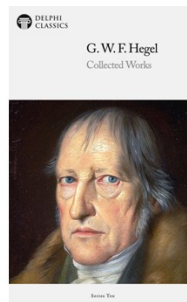
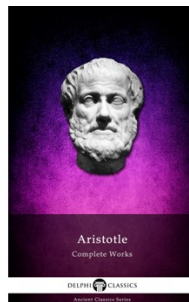
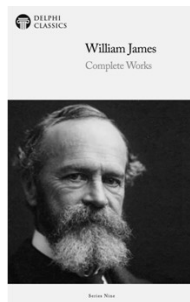
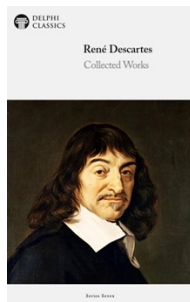


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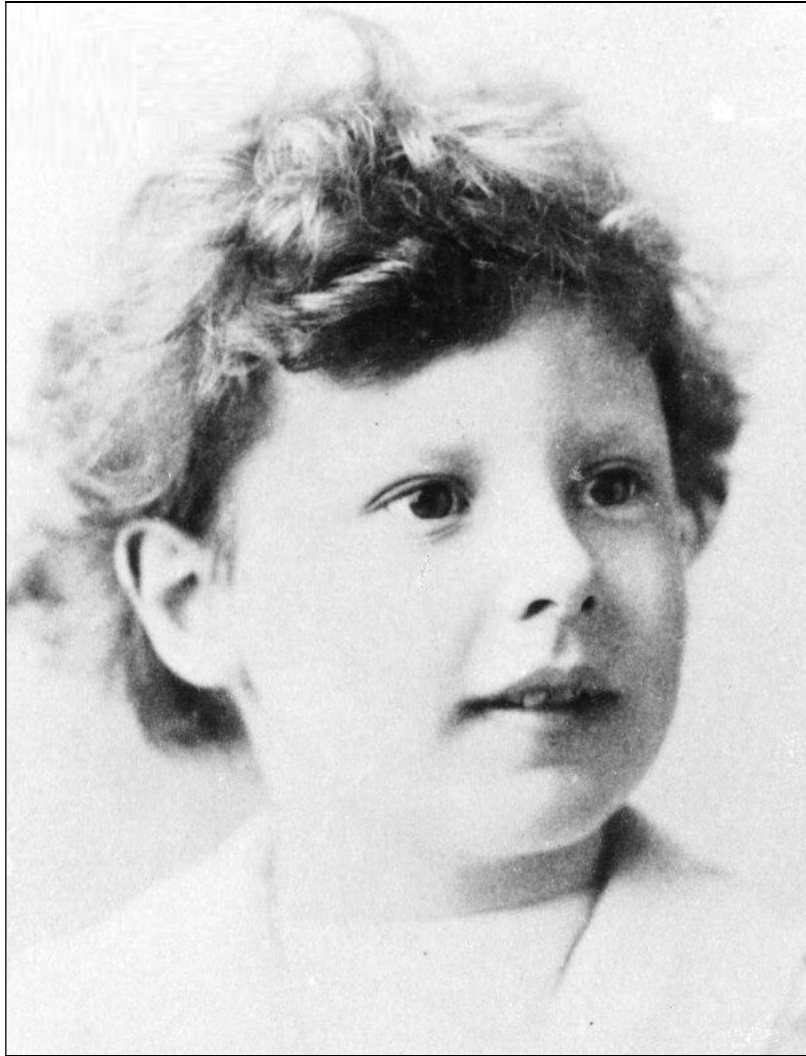
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The Non-Fiction



Bertrand Russell was born at Ravenscroft, a country house in Trellech, Monmouthshire, on 18 May 1872.



Russell as a child, c. 1877

German Social Democracy (1896)



SIX LECTURES BY BERTRAND RUSSELL

Bertrand Russell was born at Ravenscroft, a country house in Trellech, Monmouthshire, on 18 May 1872, into an influential and liberal family of the British aristocracy, his parents being Viscount and Viscountess Amberley. Lord Amberley, a deist, asked the philosopher John Stuart Mill to act as Russell's secular godfather. Mill died the year after Russell's birth, though his writings later influenced his godson's life. Bertrand's adolescence was lonely and unhappy. He later remarked in his *Autobiography* that his interests in "nature and books and (later) mathematics saved me from complete despondency." He admitted that his desire to know more mathematics kept him from suicide. He was educated at home by a series of tutors. When Russell was eleven years old, his brother Frank introduced him to Euclid's works, which he described in his *Autobiography* as "one of the great events of my life, as dazzling as first love".

Russell won a scholarship to read for the Mathematical Tripos at Trinity College, Cambridge, and began his studies there in 1890, taking as coach Robert Rumsey Webb. He became acquainted with the younger George Edward Moore and fell under the influence of Alfred North Whitehead, who recommended him to the Cambridge Apostles. Russell distinguished himself in mathematics and philosophy, graduating as seventh Wrangler in 1893 and becoming a Fellow in 1895.

Always a fervent reader and writer, he commenced his long and distinguished career as an author in 1896 with *German Social Democracy*, a study in politics that was an early indication of his interest in political and social theory. At the time he was teaching German social democracy at the London School of Economics. He was also a member of the Coefficients dining club of social reformers set up in 1902 by the Fabian campaigners Sidney and Beatrice Webb. *German Social Democracy* was written with the intention of providing a convenient introduction to the subject, explaining its history, goals, tactics and the influence exacted upon it by such thinkers as Marx, Engels and Lassalle. Though Russell was sympathetic to the reformist aims of the German socialist movement, the six lectures in the book include some trenchant and farsighted criticisms of Marxist dogmas.

These lectures were written partly as the outcome of Russell's visit to Berlin in 1895 with his first wife, Alys Pearsall Smith, whom he had married the previous year. In Berlin, he developed an ambitious scheme of writing two series of books, one on the philosophy of the sciences, the other on social and political questions. "At last," as he explained, "I would achieve a Hegelian synthesis in an encyclopaedic work dealing equally with theory and practice." Russell did, in fact, come to write on all the subjects he intended, but not in the form that he originally planned.

GERMAN SOCIAL DEMOCRACY

SIX LECTURES

BY

BERTRAND RUSSELL, B.A.

FELLOW OF TRINITY COLLEGE, CAMBRIDGE

WITH AN APPENDIX

ON SOCIAL DEMOCRACY AND THE WOMAN
QUESTION IN GERMANY

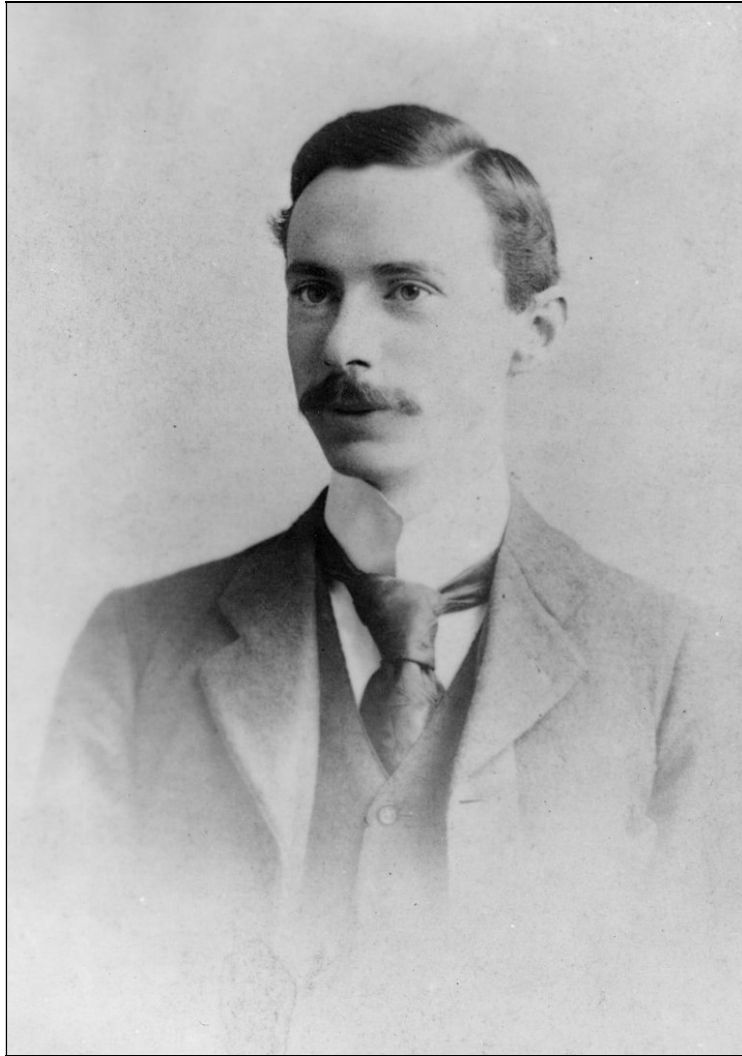
By ALYS RUSSELL, B.A.

LONGMANS, GREEN, AND CO.

LONDON, NEW YORK, AND BOMBAY

1896

The first edition's title page



Russell, close to the time of his first book's publication

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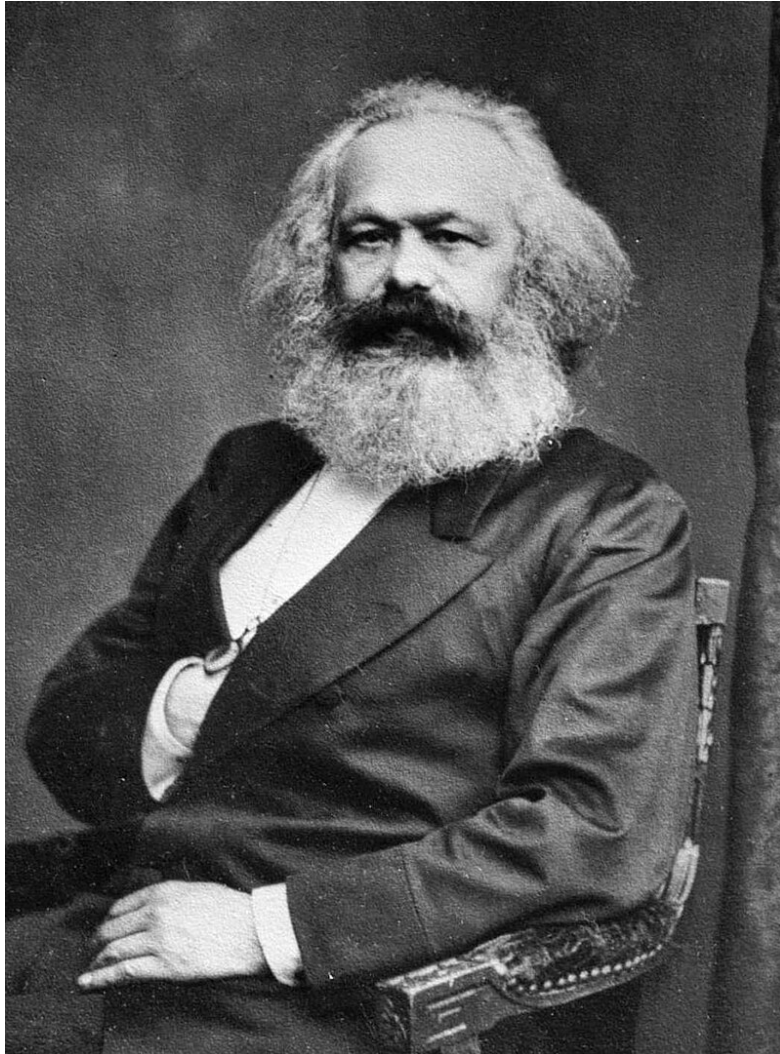
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Karl Marx, 1875 — a key subject of this work

PREFACE

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THE FOLLOWING SIX Lectures were delivered at the London School of Economics and Political Science in February and March 1896. They are not intended to supply a full history of Social Democracy in Germany, but rather to bring into relief those aspects of such a history which seemed to the author to have been the most important in producing the present political situation. The principle of selection, accordingly, has been throughout to emphasise the events and the speculations which have led to the actual state of feeling. Thus in treating of Marx, I have confined myself to those parts of his work which have chiefly influenced Socialistic opinion in Germany, and have treated very slightly the second and third volumes of *Das Kapital*, which have not yet, so far as I was able to discover, had any considerable influence in modifying the effects of the first volume.

Again, in the Lecture on Lassalle, I have laid far more stress on his debts to Marx than on those to Rodbertus; not because the latter were less important in Lassalle himself, but because, so far as his political effect is concerned, the views he owed to Rodbertus had little result; while those which came from Marx, on the contrary, bore good fruit, both directly and indirectly, in the subsequent growth of Social Democracy.

My acknowledgments are due to my wife for constant help, both by criticism and by collection of material; also to all the German Socialists, whether leaders or followers, with whom I have come in contact, for their uniform courtesy, and for their kind assistance in supplying information.

A bibliography of the principal works consulted is appended.

B. RUSSELL

LECTURE I. MARX AND THE THEORETICAL BASIS OF SOCIAL DEMOCRACY

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“WE GERMAN SOCIALISTS,” says Engels, “are proud of our descent, not only from Saint-Simon, Fourier, and Owen, but also from Kant, Fichte, and Hegel. The German labour movement is the heir of German classical philosophy.”

This haughty claim expresses the peculiar feature which gives to Social Democracy an interest and a human value beyond that of any ordinary political movement. For Social Democracy is not a mere political party, nor even a mere economic theory; it is a complete self-contained philosophy of the world and of human development; it is, in a word, a religion and an ethic. To judge the work of Marx, or the aims and beliefs of his followers, from a narrow economic standpoint, is to overlook the whole body and spirit of their greatness. I shall endeavour, since this aspect of the movement is easily lost sight of in the details of history, to bring it into prominence by a brief preliminary account of Marx’s philosophy, showing the sources from which it sprang, and the motives which led him to give it an economic form.

Marx was born in 1818, and grew up at the time when the influence of Hegel’s philosophy in Germany was at its height. In every university it was taught and believed; its jargon was familiar to all, and its spirit, in one form or another, animated every intelligent student. But Hegel’s spirit was sufficiently broad to contain, among its disciples, the most various and even contradictory tendencies. He was great, on the one hand by his metaphysical results, on the other by his logical method; on the one hand as the crown of dogmatic philosophy, on the other as the founder of the dialectic, with its then revolutionary doctrine of historical development.

Both these aspects of Hegel’s work revolutionised thought, but in their practical bearing they diverged widely. While the practical tendency of his *metaphysic* was, and is, to glorify existing institutions, to see in Church and State the objective embodiment of the Absolute Idea, his *dialectic method* tended to exhibit no proposition as unqualified truth, no state of things as final perfection. It is not necessary to explain, in a lecture on Marx, the logical function of the dialectic; but the historical application, which reappears in his book *Capital*, must be briefly indicated.

Since, to Hegel, the reality of the world is only thought, the logical development of thought, from the simplest to the most complex forms, must reproduce itself in the historical development of things. The validity of this view we need not here examine; it is sufficient to point out that Hegel, in his *Philosophy of History*, endeavoured to exhibit the actual course of the world as following the same necessary chain of development which, as it exists in thought, forms the subject of his logic. In this development, everything implies, and even tends to become, its opposite, as son implies father; the development of the world therefore proceeds by action and reaction, or, in technical language, by thesis and antithesis, and these become reconciled in a higher unity, the synthesis of both.

Of this process we have an example in Marx’s doctrine of the development of production: First, he says, in the savage and the patriarchal eras, we have production for self; a man’s goods and the produce of a man’s labour are intended solely for his own consumption. Then, in the capitalistic era, the age of exchange and commerce, people produce exclusively for others; things become commodities, having exchange value, and destined to be used by others than the producers. This is, in technical

language, the negation or antithesis of production for self; the two find their synthesis in the communistic state, in production by society for itself. Here the individual still produces for others, but the community produces explicitly — as in the capitalistic era it produces implicitly — for itself. The communistic state ought, according to the development conception of the dialectic method, to form the starting point of a new triad, the thesis for a new antithesis; but if this idea ever occurred to Marx, he must have thought that “sufficient unto the day is the evil thereof,” for he nowhere gives a hint of anything better than the socialistic community.

This, then, Marx accepted from Hegel: that the development of the world runs parallel with the development of thought, and that both proceed by the dialectic method. But here ends his debt to Hegel. It is often supposed, especially by opponents of Socialism, that his debt was much larger; that he accepted the glorification of the State to which Hegel’s philosophy was supposed to lead; but this, though partially true of Lassalle, is, as applied to Marx, a “ridiculous fallacy,” as Mr. Bosanquet says, and one which it is important to avoid. Through the influence of Feuerbach, and by contact with the French philosophers of his day, Marx early became a thoroughgoing materialist, and thus abandoned entirely what he calls “the mystifying side of the Hegelian dialectic.” To Marx, the movement of history runs parallel to that of thought, not because, as with Hegel, the world is thought, but because thought is the mere outcome and product of material things, which govern all its motions.

“My dialectic,” says Marx, “is not only different from Hegel’s, but is its direct opposite. To Hegel, the life process of the human brain is the demiurgos of the real world, and the real world is only the external, phenomenal form of ‘the Idea.’ With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought.... In its mystified form, dialectic became the fashion in Germany, because it seemed to transfigure and to glorify the existing state of things. In its rational form it is a scandal and an abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehension and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary.”

Thus Marx is at once logically a dialectical rationalist and metaphysically a dogmatic materialist. These two qualities together account for the main characteristics of that “materialistic theory of history” which forms the basis of Social Democratic politics. From his interpretation of the dialectic, two remarkable features of that theory flow: the revolutionary character, and the inevitableness, almost fatality, of all development. The revolutionary character arises from the logical, as opposed to biological or psychological, nature of the dialectic process: between one conception and its opposite, as between father and son, no gradual transition, no imperceptible organic growth, is possible: logical ideas are clear-cut, sharply defined one against another, and incapable of a Darwinian evolution. Hence the philosophy of history which sees, in successive states of society, successive embodiments of logically distinct ideas, is forced to regard all progress, all development, as proceeding by sudden strides, by revolutions; not necessarily in the sense which the police attach to the word, but in the sense of discontinuous changes from one form of society to a totally different form. Thus, the capitalistic form, in Marx’s doctrine, is to continue, despite the growing opposition of the proletariat, until suddenly the “integument is

burst asunder, the knell of capitalist private property sounds. The expropriators are expropriated.”

Marx’s doctrine is thus in a theoretical sense revolutionary, to a degree never attained by any former theory of the world. But practically, the revolutionary tendency is neutralised and held in check by the other quality of development, also due to the dialectic method, the quality of inherent necessity and fatality. All change is due to an immanent principle in the actual order of things; in Hegelian terms, this order contains contradictions, which lead to its final ruin by a new order, in turn to suffer a similar disruption and euthanasia. Nothing, therefore, can hinder the predetermined march of events; the present logically involves the future, and produces it from its own inherent unrest. This fatalism, more than all else, gives to Social Democracy its religious faith and power; this inspires patience, and controls the natural inclination to forcible revolution. There is an almost oriental tinge in the belief, shared by all orthodox Marxians, that capitalistic society is doomed, and the advent of the communist state a foreordained necessity. As a fighting force, as an appeal to men’s whole emotional nature, Social Democracy gains inestimable strength from this belief, which keeps it sober and wise through all difficulties, and inspires its workers with unshakable confidence in the ultimate victory of their cause.

But these characteristics are shared, to some extent, by all new religions; it is Marx’s materialism which gives to the movement which he founded its peculiar form and programme. Since mind has been produced by matter, its ultimate motives for action are to be found in material things; the production of these is, accordingly, the moving force which underlies all human phenomena. This transition is nowhere clearly set forth, and is obviously incapable of logical proof; but the outcome of it is this, that all human institutions and beliefs are ultimately, in the last analysis, the outcome of economic conditions, of the conditions, that is, of production and exchange of material things. Not that every motive is economic, *i.e.* desire for wealth, but that economic motives, where whole societies are concerned, are the prime movers, the stick, to use a vulgar metaphor, which beat the dog and so got the pig over the stile. Religion, science, the State — in short, all branches of human activity — are, in the last resort, determined by economic causes. This is the great leading idea of Marx’s view of history; this it is which makes a religion and a philosophy, coextensive with human life, assume the specially economic form of a work on Capital.

This materialistic theory of history, which underlies his whole work, is thus expressed by his friend Engels:

“In every historical epoch, the prevailing mode of economic production and exchange, and the social organisation necessarily following from it, form the basis upon which is built up, and upon which alone can be explained, the political and intellectual history of that epoch; consequently the whole history of mankind (since the dissolution of primitive tribal society, holding land in common ownership) has been a history of class struggles, contests between exploiting and exploited, ruling and oppressed classes.”

It must be said, in fairness to Marx, that he did not rely on the above *à priori* argument for proof of the correctness of his view. On the contrary, he and Engels undertook considerable historical investigations, almost entirely confined to England, in which they sought to exhibit the economic causes underlying all the great changes in human institutions and beliefs. Marx learnt, from the disciples of Ricardo, to regard economic gain as the sole motive of economic action; he learnt from contemporary French Socialists and English life, to regard economic action as coextensive with

human activity. Thus as, in economic theory, he accepted in their crudest form the tenets of orthodox English economists, so, in his view of human nature, he generalised their economic motive so as to cover all departments of social life.

Hence, although he is a reaction against “bourgeois economics,” as he calls it, he retains — as reactions usually do — much of what he combats, far more, indeed, than is retained by most modern economists. In his facts, his authorities, his economic theory, he appeals almost always to the England of his time; the England of 1840-1870 has therefore become, to the Social Democrats, what the land of Canaan was to the Covenanters — the land from which all illustrations are drawn, on which all theories of what is and what ought to be are based. He calls England perpetually “the classic land of capitalism.” The England of to day, he is convinced, represents the France of to morrow, and the Germany of the day after. The shrewd Lancashire manufacturer, to him, as to the Manchester school, is the type of all mankind; for Social Democrats, who quote their facts more often from Marx than from life, this overweening influence of English conditions has, I think, been a source of much confusion and false judgment, though also of superiority to the antediluvian paternal views of many German economists and German rulers.

At the University, Marx had studied philosophy with a view to an academic career. His advanced radicalism, however, made this impossible. He therefore became a journalist, and already in 1842, when he was only twenty-four, he obtained the editorship of a Rhenish radical newspaper. This led him to study economics, and one of the first economists whom he read was Proudhon, who was something of a philosopher as well, and endeavoured to popularise Hegel for French consumption. From Proudhon Marx was led to Proudhon’s socialist predecessors.

After his journal had been suppressed by the police for its advanced views, he went to Paris, and became a follower of the French Socialists. Here he made the acquaintance of Engels, who remained his most intimate friend through life, and helped him, to an extent which cannot now be estimated, in all his later work. Engels was the son of a German manufacturer, but had lived in Manchester to manage a branch of his father’s business, and had been led to socialism by the study of English conditions. Marx soon outgrew the influence of Proudhon, and in a polemical work, *The Poverty of Philosophy* (1847), an answer to Proudhon’s *Philosophy of Poverty*, he advocated the superiority of the English socialists, Bray, Thompson, etc, with whom he had probably been made acquainted by Engels.

But the first great work in which Marx and Engels gave expression to their philosophy of life was the *Communist Manifesto*, produced at the request of an International Communist Congress held in London in 1847. This work, which is almost unsurpassed in literary merit, gives the main points, with the exception of the theory of surplus value, in Marx’s political and historical creed, without the tedious economico-Hegelian pedantry of *Das Kapital*. For terse eloquence, for biting wit, and for historical insight, it is, to my mind, one of the best pieces of political literature ever produced.

“A spectre is stalking through Europe,” it begins, “the spectre of Communism. All the powers of ancient Europe have combined against this spectre in a holy war of persecution — the Pope and the Czar, Metternich and Guizot, French radicals and German police.” What Communism is, the manifesto then tells in condensed, powerful words. The history of all previous society is the history of class struggles; but our epoch has simplified class oppositions. More and more, society is divided into two great hostile camps, bourgeoisie and proletariat. The modern state is only a committee of the bourgeois class, though historically the bourgeoisie has played a

highly revolutionary role. Wherever it has come into power, it has destroyed all feudal, patriarchal, idyllic relations, and left no nexus between man and man but that of cash payment. It has, in a word, substituted, for exploitation concealed in religious and political illusions, open, shameless, direct, brutal exploitation. It has transformed the doctor, the lawyer, the parson, the poet, and the man of science into its paid wage earners. It has torn from the family its touching sentimental veil, and reduced it to a purely monetary relation.

But the bourgeoisie cannot exist without perpetually revolutionising the instruments and conditions of production, and with them all social relations. All firm relations grown rusty, with their train of venerable ideas and opinions, are dissolved, all new ones grow antiquated before they can ossify. Everything established and permanent vanishes into smoke, everything holy is desecrated, and people are forced at last to see their reciprocal relations with sober eyes. By its rapid improvement of the means of production and communication, the bourgeoisie drags all countries, even the most barbarous, into civilisation. It masses the population in huge towns, centralises property in a few hands, and hence produces political centralisation. In a bare century of domination, the bourgeoisie has brought forth more massive and colossal productive forces than all past generations put together. The economic means on which it raised itself were produced by feudalism, but the growth of productive forces at last made feudalism a fetter; this fetter had to be broken; it was broken. In its place came free competition, with the corresponding social and political constitution, with the economic and political rule of the bourgeoisie.

Under our eyes a similar movement is taking place. Modern bourgeois society is like the necromancer who can no longer control the subterranean forces which he has conjured forth. The history of industry and commerce in the last decades is only the history of the revolt of the modern forces of production against the form of property which is the necessary condition of bourgeois existence. Periodic crises, due to over-production, mark the insufficiency of the economic form to the productive powers of society. The weapons with which the bourgeoisie destroyed feudalism now direct themselves against the bourgeoisie itself.

But not only has it forged the weapons which are bringing its death; it has created also the men who are to bear those weapons — the modern workmen, the proletariat. In the same measure in which the bourgeoisie develops, the proletariat also develops — the class which lives only so long as it finds work, and finds work only so long as it increases capital. The labourer, who must sell himself piecemeal, is a commodity like any other — his price, like that of all commodities, is the cost of his production, that is, the bare necessities for existence and reproduction. But by the competition of capitalists, the small men are driven from the field, and sink into the ranks of the proletariat; only the great capitalists survive, and the proletariat is recruited from all classes of society.

The development of industry itself brings the workmen into contact with each other, and forms the means for their combination — their early battles serve only as helps to this end of co-operation. Only union is required to transform isolated battles into a universal class war, and every class war is a political war. The conditions of life of established society are already annihilated in the life of the proletarian; his relation to wife and child has nothing in common with the bourgeois relation; law, morals, religion, are for him so many bourgeois prejudices, behind which lurk so many bourgeois interests.

All former conquering classes sought to assure the state of life which they had already won, but the proletariat possesses nothing to secure — he has only to destroy

all private security. His is an essentially international war, and the party of the proletariat must be an international party. Everywhere, the communists support all revolutionary parties, whose fundamental motive is always the question of property. "Communists disdain to conceal their views and their purposes. They openly declare that their ends can only be attained by the forcible destruction of all existing social order. May the propertied classes tremble before a communist revolution. The proletariat have nothing to lose by it but their chains. They have a world to conquer. Proletariat of all countries, unite!"

In this magnificent work, we have already all the epic force of the materialistic theory of history: its cruel, unsentimental fatality, its disdain of morals and religion, its reduction of all social relations to the blind action of impersonal productive forces. Not a word of blame for the cruel revolutions of the bourgeoisie, not a word of regret for the ironically pictured idylls of the mediaeval world. There is no question, in Marx, of justice or virtue, no appeal to human sympathy or morality; might alone is right, and communism is justified by its inevitable victory.

Marx believes, it is true, that capitalism produces misery, while communism will produce happiness; he hates capital with a hatred which often vitiates his logic; but he rests his doctrine, not on the "justice" preached by Utopia mongers (as he calls his socialist predecessors), not on sentimental love of man, which he never mentions without immeasurable scorn, but on historical necessity alone, on the blind growth of productive forces, which must, in the end, swallow up the capitalist who has been compelled to produce them.

In his *Capital* we have a carefully attempted proof, illustrated by immense experience and reading, of these laws of historical development; in the *Communist Manifesto*, a proof could not be attempted, but the essential points of the doctrine are stated with a force and eloquence which his later work nowhere attains. His *Capital* completes the economic theory by the doctrine of surplus value, and drops the crudely revolutionary standpoint of the *Manifesto*. But the theory of surplus value, besides being false, is unnecessary, nay even antagonistic, to his theory of the concentration of capital, and therefore adds little to the value of his work. We must now, however, leave the imaginative and poetical aspect of Marx's system, and examine the dry and tedious details of his economic theory. It will be seen, as we proceed, that much of this theory is false, and that its falseness destroys the certainty of that historical development on which he relied for the advent of Communism.

In his *Critique of Political Economy* (1859), and more fully in his *Capital* (1867), his theory is developed with much logical subtlety, immense knowledge, and a patience often exceeding that of the reader. It has two cardinal points: the doctrine of *Mehrwert*, or Surplus Value, and the doctrine of the concentration of Capital. These two do not stand or fall together; indeed the former seems to spring rather from his desire to prove the wickedness of capital than from logical necessity, for it shows, if anything, that every capitalist must grow rich, and so destroys that intense competition on which the concentration of capital must depend. Both doctrines are implicitly believed by almost all Social Democrats, and have therefore a practical, as well as a theoretical, importance. We will begin with

Marx's Theory of Value

Ricardo had said: The value of a commodity is measured by the quantity of labour involved in its production. To this he had added certain qualifications, especially as to capital. These were, however, omitted by Marx. Marx's proof that labour is the only source of value does not resemble Ricardo's, but bears traces of the philosophy of his

youth. He says: Exchange value cannot be a property peculiar to the thing possessing it, but must be one which it shares in common with all the things for which it will exchange; otherwise the equation of values would be unmeaning. Now the only common property of all commodities is that they are produced by human labour, not by this or that human labour, but by “undifferentiated human labour.” This then, he says, must be the essence of value.

Quantity of value must be measured by quantity of labour, *i.e.* by labour time. Differences in the remuneration of labour only arise from differences in the labour required for its production. The cost of labour power, then, as of every other commodity, is solely measured by the labour required for its production, *i.e.* for the production of the labourer’s necessities of life. Wages, therefore, are equal to the value of the necessities of the labourer, or rather, since the race has to be continued, of the labourer and his family.

But the labourer, in a day, is able to produce more than his necessities. Suppose that in six hours the labourer can replace his necessities, while his working day is twelve hours; then the value of his produce, being measured by twelve hours, is double the value of his wages, these being only measured by six hours. The capitalist, therefore, obtains, as *surplus value*, the whole produce of the last six hours’ work, which constitutes his profit. Hence, by purchasing labour power at the ordinary market rate, the capitalist is able to exploit the labourer, and grow rich by keeping the labourer at the starvation level. This is the necessary result of capitalistic production under a system of free competition; only production by society for society can stop this system of exploitation.

I have endeavoured to put the above argument in as convincing a form as possible, but I fear it will hardly have sounded very cogent. Indeed, it has been rejected by all orthodox economists, and every step, down to the establishment of surplus value, contains at least one fallacy.

In the first place, the value of a commodity is not measured by the quantity of labour involved. Marx’s proof is fallacious in *method*; we can never be sure, by mere abstraction of differences, that we have hit on the *only* common quality of a number of things, or that the quality we have hit on is the relevant one. His proof is fallacious in *substance*, for commodities have also another common quality, utility namely, or the power of satisfying some need. His proof is further invalidated by the omission of the necessary reservations as to capital, and would be false even if cost of production alone measured value.

Ricardo’s proof that value is measured by labour is somewhat obscure, and will not, I fear, bear the form which I am about to give it, but this is the only form in which it can be said to be logically valid. The proof, then, should be as follows: In a state of free competition, the exchange value of an article whose production can be indefinitely increased will, in the long run and apart from fluctuations, be measured by its cost of production; its cost of production must — since capital is only accumulated labour — consist, abstracting from interest on capital, of wages alone; now wages are proportional to labour time, therefore exchange value is measured by labour time.

In this form, the proposition would, in the main and apart from important qualifications, be substantially true, at least of commodities whose production does not yield a rent. But Marx keeps the conclusion, exchange value is proportional to labour time, without an essential step in the argument, namely, wages are proportional to labour time. He says, on the contrary, wages are equal to the cost of the labourer’s necessities, and are thus independent of the length of his working day. Whether this

be true or not, is here irrelevant; what is relevant is, that if this proposition be true, the proposition that value is measured by labour time must be false. For what is to hinder competition from lowering the price to the point where a business is only just profitable?

Again, it is a very vicious use of abstraction to conclude that, even if labour alone determines value, it must be “undifferentiated human labour,” that is, labour apart from all qualitative differences, which determines value. Differences in the remuneration of labour are not wholly due to differences in its cost of production; a successful Queen’s Counsel costs no more to produce than any briefless barrister. Skill has a value independent of its cost; it commands, as a matter of fact, a monopoly rent in the market, and this rent appears in the value of the product.

Again, in all branches of production which yield a rent, it is not the *average* cost of production, but the *greatest* cost of production — *i.e.* the cost on the margin of cultivation — which determines value. It is the omission of this limitation which makes rent unintelligible to Marx, and leads him to regard it as derivative from profits.

To recapitulate: Ricardo proved that, in a state of free competition, the value of commodities, whose quantity can be indefinitely increased, without increasing the cost of production, is measured by the cost of production; for this is the highest value at which the seller is sure of not being undersold. But Marx says: not cost of production, but labour time, measures value. By some impalpable metaphysical compulsion, the capitalist must sell the product of twelve hours’ normal labour for a value represented by twelve, though the cost of production is only represented by six.

Why, under these circumstances, the capitalist is not forced by competition to reduce his price, Marx does not attempt to explain. Ricardo had sometimes spoken of value as measured by labour time, because he assumed that, apart from interest, cost of production consisted of wages, and wages were paid by the time. But Marx regards wages as purchase of labour power, not of labour time, and thus no reason remains why value should be measured by labour time.

I have not urged the fundamental objection, which I might have derived from Jevons’s theory of value, for the inherent inconsistencies of Marx’s view suffice to destroy it, without calling in external aid. But it must be observed, in passing, that Marx usually assumes demand to be a fixed datum, and overcomes the resulting difficulties by a confused and ambiguous notion of “socially necessary labour,” which means, at one time, the labour normally necessary for the production of an article, at another, the labour necessary to supply a demand whose amount is supposed constant. The worldwide difference between these two meanings is slurred over, or perhaps quite unperceived, by Marx.

It must also be observed that where cost of production depends on quantity produced — as it must do, wherever Marx’s other law, of the concentration of capital, holds good — there cost of production is formally inadequate to determine value. For with different values, there will be different amounts demanded, consequently different amounts produced, and different costs of production. The fluctuation of demand with fluctuating price, or the demand curve, as it is called, is therefore, in such cases, formally essential for the determination of value.

The total neglect of demand as an economic force is a necessary consequence of the materialistic view of history. For, on this view, material things govern man and all his institutions, and this government is exerted through the agency of blind “productive forces.” Production, therefore, is the fundamental fact, and demand is a mere consequence of it. To the modern economist, however, as to the non-

materialistic philosopher, demand takes the first place; things are produced only if they may be expected to satisfy some human want; the want makes the utility of the product, and without utility nothing would be produced. A man who produced a new pyramid, or a new Cleopatra's Needle, would not be able to sell them at a price equal to their cost of production. The necessity for taking demand into account, therefore, destroys not only Marx's theory of value, but the whole materialistic theory of history.

But admitting that value is measured by labour time, what is meant by the labour time necessary to produce a labourer? On the assumption that labour power is a commodity whose supply can be increased indefinitely — an assumption which is true in the long run, except in periods of rapidly growing industry, when the demand may grow faster than the supply — “the cost of a labourer,” says Marx, is “the socially necessary cost,” that is, the lowest cost at which he can normally be produced. This cost consists of the minimum of necessities required to keep him in health. But the cost of these necessities consists in turn of wages; hence, if there exists, or has existed, a set of labourers whose wages were not at starvation level, the argument breaks down.

Also, it is forgotten that labour, unlike other commodities, is not produced by capitalists, but produces itself. Its cost of production, therefore, is determined, wherever wages are above starvation level, by the remuneration at which it thinks it worth while to produce itself, *i.e.* as Malthusians would say, by the standard of comfort. It is a question of historical fact, not of logical necessity, whether this standard is, at any time and place, the starvation level or something much higher. Hence arises the possibility, ignored by Marx, of raising wages by Trade Unions and other methods, which are possible within the “capitalistic state.” It is from overlooking this possibility that the paramount importance, assigned by Marx and his followers to political and State action as opposed to strikes and Unions, has arisen.

There remains one step in the argument by which surplus value is discovered, and this step, fortunately, is illustrated by examples from the actual accounts of manufacturers. Suppose the labourer, says Marx, to produce the value of his necessities in six hours: then this share of the produce alone will fall to wages, and the rest will be pure profit. It is assumed, both in the abstract arguments and, more definitely, in the illustrative examples, that the undertaker does no work and obtains no wages. Whatever, then, in the firm's accounts does not *appear* as wages, is reckoned as unearned profits. Of rent and interest, such a view would be fairly true, but that Marx should have made the monstrous assumption that the undertaker's direction of a business involves no labour, and adds nothing to value, would be incredible if the examples he gives did not clearly prove it.

We have now seen that every step in Marx's argument contains such serious mistakes as alone to vitiate his theory, even if all the other steps were sound. The “great discovery of surplus value,” which most Socialists regard as his claim to immortal renown, cannot, therefore, be held to have any theoretical validity whatever.

At this point it is customary for the self-satisfied German bourgeois to sing a paean of triumph, and leave Socialism to be devoured by its own inconsistencies. But economic pedersties such as the above do not suffice to answer a whole class of society just awakened to its interests; the unspeakable contempt with which Social Democrats allude to such refuters of Marx, ought to suggest that somehow there must be a kernel of truth in his doctrine after all. And I believe that by a little more pederstie, by the magic words Rent and Monopoly, we can bring out something which, from the standpoint of the workingman, is practically the same as Marx's

doctrine — with the one very important exception, however, that such methods as combination among workmen, and factory legislation, without a communistic society, seem able to effect far more of the improvements which Marx desires than he is willing to admit.

The distinction between rent and profits seemed, to the bourgeois economist — if I may adopt for the moment the Marxian way of explaining economic theories — a distinction of great importance, for rent belonged usually to the aristocratic landlord, while profits belonged to the middleclass manufacturer. These formed distinct classes with antagonistic interests, whose conflicts have been most forcibly depicted by Marx himself. To the wage earner, however, the distinction of rent and profit is irrelevant: wages and not-wages, for him, are the only important divisions of the produce. Marx, therefore, in writing from the labourer's point of view, and with a theory of value on which rent is inexplicable, makes light of this distinction — whatever is not wages is profits, is surplus value.

Now it is self-evident, since some men live in idle luxury, that a labourer normally produces more than he consumes, and that this surplus goes to support idleness. How does this come about? It comes about, in economic language, by monopoly rent; wherever the man or company of large capital is able to produce more easily than the man of small capital, he is able, since large capitals cannot be indefinitely increased at will, to obtain a rent from his advantage, just as the landlord obtains a rent from the superiority of his land to the worst land in cultivation. Wherever, in short, some conditions are more favourable to production than others, while the better conditions cannot be indefinitely increased at will, and production must be carried on also under the worse conditions, in order to meet the demand, there those who have a monopoly of the best conditions, obtain a rent from their advantage, and this rent is not the reward of labour, but a surplus value which the capitalist is enabled to deduct from the labourer's produce.

The skilful entrepreneur, in like manner, gets a rent from his monopoly of skill. The skilful artisan, also, gets a monopoly rent, which raises his wages above his cost of production; but the average workingman, so long as Marx's reserve army of labour is kept up, cannot obtain any monopoly value; the marginal utility of the necessities of life, to him, is infinite, and therefore outweighs any severity of work; so long, therefore, as the supply of labour is excessive — and such excess Marx accepts from Malthus, as the law of population proper to a capitalistic society — so long the labourer will be kept at starvation wages, and the excess of his produce over his necessities will go to the capitalist, whether as rent, profits, or interest. In a state of free competition, it is true, this excess cannot appear as pure profits, for competition will force down the price of commodities to the lowest point at which it is profitable to sell them. But "profitable" here, as in the Ricardian theory of rent, means profitable in the most unfavourable circumstances in which production is permanently carried on. In other circumstances, there will be a differential rent, appearing as rent or profits according to circumstances.

Where these conditions are satisfied, therefore — where, that is to say, the increase in the supply of labour exceeds the increase in the demand, and where there are no very strong combinations among workingmen — there the Iron Law, as applied to unskilled labour, is likely, for the moment, to be true. But so many are the conditions which may overthrow it, and so different is it, when true, from the sense which most Socialists give to it, that it would be better named the Gutta-percha Law. When it is true, to begin with, it only means that labourers will be kept at the lowest point at

which they think it worth while to work, which lowest point depends on the customary standard of comfort.

Again, it could only have any *permanent* truth, even in this modified sense, if the Malthusian principle were correct, that increased comfort leads to larger families. Since the very opposite of this principle seems to be the fact, a sudden or continued increase in the demand for labour, by which wages are raised, for a considerable time, above their former level, so far from being counteracted by the growth of population, may easily be still further augmented by increased prudence among labourers.

And even where population is rapidly increasing, the increase of the demand for labour may easily be still more rapid. But besides all these counteracting causes which depend on general economic and social conditions, and are only very partially under the control of the labourers, strong Trade Unions, by supporting the men who are out of work, and so destroying the necessity for concluding a bargain with the employer at any price, may always keep the supply down to the level of the demand, and ensure the highest wages at which the trade can be carried on.

The Marxian theory, therefore, that the price of labour power is the cost of its production, and that this cost consists of the barest necessities of life, can only be true under very special circumstances. Nevertheless, the doctrine of surplus value has this kernel of truth, that capitalistic production does enable the recipients of rent and interest to grow rich by idleness, and does, to this extent, deprive labour of a part of the produce. It is also true that, in Germany, where the whole country is poor, and labour is very little organised into Unions, the Iron Law has, for the moment, a certain amount of validity. Marx's doctrines have therefore a sufficient kernel of truth to make them seem self-evident to German workmen. It is unfortunate, however, that their apparent necessity, under a capitalistic regime, should make German labourers very lukewarm as to trade unions, and all nonpolitical means of improving their condition. The exclusively political character of Social Democracy, which is mainly due to Marx, is thus of very doubtful utility. So long as the present persecution lasts, however, it is not likely to undergo any considerable change.

Law of Concentration of Capital

It remains to consider the tendency to production on a large scale, or law of concentration of capital, which Marx regards as universal, and which forms, I think, the most cardinal point of his whole doctrine. We have already seen, in discussing the *Communist Manifesto*, how Marx applies this law to prove the necessary advent of Communism, by the ever-increasing power of the unpropertied proletariat, as against the ever-diminishing number of great capitalists. In his *Capital*, the same arguments are repeated at greater length. "Accumulation of capital is increase of the proletariat."

The first step is the destruction of handicrafts, but when this is complete, the process takes a new form. "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.

Hand-in-hand with this centralisation, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the cooperative form of the labour process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labour into instruments of labour only usable in common, the economising of all means of production by their use as the means of production of combined socialised labour, the entanglement of all peoples in the net

of the world market, and with this, the international character of the capitalistic régime.

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; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised 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. Centralisation of the means of production, and socialisation of labour, 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.”

In Marxian Socialism, the importance of the law of unlimited concentration of capital is supreme. For not only the necessary advent of the collectivist state, but also the great economies which are expected from the public management of production, are wholly dependent on this law. If it be true, as Marx maintains, that in all branches of production the productivity of labour increases with the scale of the business, then it is evident that, if competition be allowed to operate freely, the average size of firms must grow larger and larger, until at last the State will be able to contain only one firm in every kind of business. It is also evident that, since this result is to be attained by the continual cheapening of production, it will, when attained, cause a great increase of the national wealth. This is the reason why Socialists, in picturing the collectivist state, imagine a high degree of comfort to be attainable by very few hours of daily labour.

If this law, in its general form, were unexceptionally true, and if, as Marx seems always to suppose, every single business were in the hands of a single capitalist, then, though all the rest of Marx’s economic theory should be proved to be false, the sudden revolutionary change from private capital to collective management would seem inevitable. The theory of value and surplus value, since it can contribute nothing to the proof of this law, is inessential to Socialism as a theory of what will be; the Iron Law of wages is inessential, since, so long as rent and interest exist, the wage earner has always a motive to urge their appropriation to himself; the doctrine that the labourer’s labour power, not his labour, is bought by the capitalist, is wholly inessential; but the law of concentration of capital is quite essential.

If the law of concentration of capital were not true, there would, in the first place, be no increase of productivity by collective production; and in the second place, the “proletariat army” whose ever-increasing numbers are finally to overpower the capitalist, would not necessarily acquire supreme power. This has been realised by Conservative politicians and economists in Germany, who are perpetually engaged in schemes for re-establishing the Guilds and “rescuing the handicraftsman,” for the handicraftsman, being the owner of his own capital, usually opposes Social Democracy, as the party of a class to which he feels himself superior. We must therefore examine the law with some care, and endeavour to discover the limits and exceptions to its truth.

Marx, though he treats the law at great length, has nowhere attempted so rigid a proof as could have been desired, and has not preserved a sufficiently sharp distinction between theoretical and statistical proofs. The latter, be it observed, though interesting for their own sake, are here insufficient, for they can never show that we have to do with a tendency to which there are no limits; they can only show that the limits, if they exist, have not yet been reached. It may be, for all that statistics can

prove to the contrary, that there is somewhere, in any given state of technique, a point of equilibrium, beyond which new forces come into play, and make a further increase in size unprofitable. This possibility, which is overlooked by Marx, and is not utilised by most of his German critics, forces us to adopt a more theoretical method; we must, by examining particular businesses, discover the general tendencies which make for large or small firms.

In the first place, it is evident that large businesses are more profitable than small ones, wherever there is, on the whole, a law of increasing return, wherever, that is to say, a large output is relatively cheaper to produce than a small one; where, on the contrary, a law of diminishing return prevails, small businesses will be the more profitable. As this fact suggests, the question requires entirely separate treatment for Industry and for Agriculture. We will begin with the former.

In Industry, both productive and distributive, there is, as we can see at once, a very strong tendency to increasing size of firms. The progress of joint stock companies, the growth of huge shops such as Whiteley's, the decay of handicrafts, all point to the general truth, up to the present time, of Marx's law of the concentration of capital. The first and chief agent in the change has been machinery. Wherever expensive machinery can be used with profit, there the individual handicraftsman, and, with further technical development, the small master, must disappear from the competitive field. A large capital is necessary to set up the machinery, and a large number of workmen may be necessary to work it.

Again, the small master cannot easily get the best machinery; technical improvements are so rapid that only a large capitalist with considerable leisure has time enough to find out what are the best machines, or capital enough to change them when they become antiquated. A large firm, also, can experiment more easily in new methods, and can more easily make known a successful result. The greater facility of advertisement is an important aid to large firms, as is also the saving in freight when large quantities of material are to be transported. Then there is a great advantage in division of labour, which can only be carried far by a large firm.

Greatest of all, perhaps, is the economy of skill, though entirely overlooked by Marx, owing to his glorification of manual labour and contempt for the head work of capitalist management. Not only has the large business a greater choice of suitable foremen, and of workmen suitable for any operation requiring special skill, but the head of a large firm, also, has more leisure to think out the general problems of his business and watch the general movements of the market. Any one who has read Bagehot's description of the successful city man will realise the great importance of this leisure; if a man at the head of a large firm is busy, says Bagehot, that is a sign that his business is going wrong; the successful man should not work more than four hours a day. This factor, as I remarked before, is overlooked by Marx; but it forms, to my mind, a very fair argument for the management of all technically advanced businesses by a central authority, with no duties but to study the general conditions and the technical possibilities of the business in question.

In distribution, a similar movement has become very marked in recent times; large retail shops save in advertisement, in the possibility of keeping a large stock, and in smaller loss from changes of fashion. In the carrying trade, railways, trams, etc, have so evident an advantage from management on a large scale, that there is no need to point it out.

But in other respects again, there are disadvantages in production on a large scale, and these disadvantages increase with increasing size, so that theoretically, we may suppose, there is a limit, in any given state of technique, to the profitable growth of a

business. The chief of these disadvantages is the greater difficulty of superintendence: a large business gives more room for shirking by foremen, for scamping work, and for corruption. Also the advantage derived by the big man from greater trade knowledge is continually diminishing; with advertisements and trade journals, the best technical knowledge is becoming more and more accessible to all.

Again, a very large business must produce, at least in part, for distant places, and has therefore to contend against the expense of transport. This, however, is a rapidly diminishing disadvantage. Then, again, in all branches of production which require artistic taste, and are therefore not reducible to mechanical routine, machinery is inapplicable, and the individual producer must remain supreme. Except for this last, however, which applies only to a very small fraction of production, progress is almost entirely on the side of large firms; superintendence at every point becomes less and less necessary as people grow in intelligence and efficiency, while skill and expensive machinery become everyday more and more necessary.

On the whole, then, except in artistic production, and in the raising of raw products, which we have still to consider, Marx's law seems true. Although, in any given state of technique, there is a limit, from difficulties of transport and superintendence, to the profitable size of firms, yet this limit, as technique advances, and as competition gives the victory to those who have most power of organisation, continually recedes, and is therefore liable, sooner or later, to become co-extensive with the State. As soon as a business has reached this phase of development, State management in general becomes profitable, and is likely to be brought about by the combined action of free competition and political forces. In railways, gas and water supply, etc, many Continental governments have already taken this step; the growth of trusts and rings suggests that it might, with profit, be taken in many other businesses.

But three points must be noticed in this process, which make it very different from the process suggested by Marx. First, big firms consist usually of companies, and their victory does not therefore necessarily diminish the number of individual capitalists; secondly, a new middle class is created by large firms and the use of machinery — *e.g.* foremen, engineers, and skilled mechanics — and this class destroys the increasingly sharp opposition of capitalist and proletariat on which Marx lays so much stress; thirdly, the profitable management of businesses by the State presupposes a certain degree of development, and should therefore be undertaken at different times in different businesses, not, as Marx supposes, by a single revolutionary transformation. This last point is especially important, as it transforms the whole process into one of gradual organic development, instead of the discontinuous dialectical change which Social Democracy expects.

But in agriculture, where the law of diminishing return prevails, the whole development is totally different from that of industry. Marx, as I pointed out in criticising the theory of value, does not adequately distinguish between rent and profits, since both go to the capitalists. He therefore confuses large landlords with large farmers; and adduces, in proof of his contention, many facts which spring from such wholly uneconomic motives as the rich man's desire to "breathe his native air on his own ground," or the love of sport, which led, for example, to the formation of the Scotch deer forests. This is one of the instances on which Marx lays most stress, though it is difficult to see how it forms an argument for farming on a large scale. We must therefore, in discussing agriculture, clearly distinguish the landlord from the capitalist farmer, even where they happen to be the same person. We must also remember — a fact forgotten alike by supporters and opponents of Marx — that the

economic size of a farm is not its acreage, but the capital laid out on it. In this sense, many giant farms of Western America may be smaller than a suburban market garden.

From the law of diminishing return, it follows that, in any given state of demand, more intensive cultivation of a given area cannot be as cheap as less intensive cultivation; there will not, therefore, apart from special conditions of rent or tenure, be any tendency, at a given time, to accumulation of capital in this way. As regards extension of acreage, the same result appears. Increase of acreage — since the labourer, instead of having his work brought to him, as in a factory, has to go to the land — involves a large expenditure of time in moving from place to place, and loses the advantages of concentration, which are so important in large factories and shops.

Since the work varies with the seasons, the same machine cannot be continuously employed, and division of labour cannot be carried very far, so that these supreme advantages of large industries are, to a great extent, lost. Again, agricultural skill consists chiefly of special local knowledge of peculiarities of the soil, etc, and in this a small farmer is likely to have an advantage. For these reasons, although every improvement in the use of agricultural machinery favours large farms, there seems good ground for supposing that, at any rate for a long time to come, there will be no considerable tendency to the centralisation of agricultural capital.

Marx's law of the concentration of capital thus breaks down in the raising of raw produce. On this point, all orthodox economists, and even some of the Social Democrats, seem to be agreed. We shall see, later on, what difficulties this confusion of landlord and farmer has brought on Social Democracy, which has never grasped the difference between making the State the landlord and making it the agricultural undertaker. The conditions of German agriculture do not help, as in England, to make this distinction clear; but it is evident that none of the above arguments have any force against the proposal for State ownership of land. For this proposal, as every one knows, the arguments are, if anything, stronger than for any other collectivist measure, yet the peculiar form of Marxian Socialism makes all these arguments logically inaccessible to German Social Democracy.

The law of the concentration of capital is the most original part of Marx's work, and the most essential item in his system. As applied to industry, it is true and important; but with his usual habit of reckless generalisation, he assumed it to be true universally, without sufficiently examining special branches of production. Even in the ownership of land, the tendency has been, ever since the breakup of feudalism, in the very opposite direction; in the Irish Land Acts, we have all seen a striking instance in which decentralization constituted a distinct economic advance.

We have now discussed all the most essential points in Marx's economic doctrines, and have seen that none of them, as a theory of what is, or of what necessarily will be, will stand a thorough criticism. The materialistic theory of history, at any rate in the precise form which it derives from Marx, is not true, and leads to the neglect of demand as an element in determining production and value. The theory that value is determined exclusively by labour time is false, and is, in particular, inconsistent with the doctrine that the capitalist buys the labourer's labour power, not his labour time.

The theory that the wage earner, so long as capitalistic production continues, must be kept at starvation wages, is completely false, as the movements of wages in England and America, or even in Saxony — to say nothing of economic theory — sufficiently prove. Again, the theory that free competition leads necessarily to continually increasing concentration of capital, is wholly false in agriculture, and true

only up to a certain limit in industry. That this limit may, however, be often coextensive with the State — *e.g.* in railways — must be admitted.

Finally, the concentration of capital in large firms does not necessarily imply its concentration in a few hands; the firms may consist — in fact, normally do consist — of many shareholders in a joint stock company. It may thus easily happen that, in a country where production on a large scale prevails to an immense extent, the number of people interested in the return to capital, and so in the Marxian sense capitalists and pillars of bourgeois society — the number of these people, we must maintain, may be very great, and the consequent opposition to capital by no means so overpowering as Marx holds that it must, sooner or later, become.

Marxian Socialism, as a body of proved doctrine, must therefore be rejected. But it by no means follows that Collectivism — as a doctrine of what ought to be, or of what, by political and economic development, is likely to be — is at the same time disproved. As a doctrine of necessary fatality, as a body of knowledge which we know to be true, whatever men may do to help or hinder it, Socialism cannot stand criticism any better than the earlier gospel of *Laissez-faire*; a dogmatic denial of the possibility or desirability of a Collectivist State would, however, be equally impossible to substantiate, and the decision must therefore be left to detailed considerations of special circumstances.

Marx is, in a sense, the last of the great German system makers; it is by his system, in a great measure, that he imposes on the imagination and obtains such ardent disciples, but it is also by his system that he is led into such mistakes as that about agriculture, and that his followers are prevented from advocating any interests but those of the industrial proletariat.



End of Sample