Socialism.
Social Philosophy
Political Economy
Economic Theory.
State, The Modern
Property
Land
Capital
Value
Distribution

Gen'l Treatises.

Production
Wages
Rent
Interest.
Industry.
Monopoly.
Communism
Collectivism
Taxation.
Reform, Social

THE SOCIAL PHILOSOPHY OF RODBERTUS.

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BY

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TO MY WIFE

IN MEMORY OF AROSA AND BISKRA

WHERE I BEGAN AND WHERE I RENEWED THE STUDY OF

RODBERTUS.

PREFACE.

In the present volume I have endeavoured to combine into a systematic whole, the social and economic teachings of Rodbertus. The task, I must own, has proved more difficult than I anticipated, since in addition to the work of exposition and definite criticism, it has often been necessary to readjust the emphasis which the author himself, doubtless under the impulse of controversy, placed upon the various parts of his various arguments. As a consequence some few chapters are rather based on Rodbertus than reproductions of what is to be found in his works, while others again are mainly critical; in nearly all much rearrangement has been involved. Controversial matters, as a rule, have been deprived of the prominence given them by Rodbertus. For a similar reason, that is, in order not to embarrass the movement of the main argument, many questions of great interest in themselves, but of special rather than general importance, are dealt with very briefly. It need hardly be added that I have tried to take

Rodbertus at his best, and to interpret him liberally, even when dissenting most from his arguments or conclusions. My attitude is that of expositor and critic.

I welcome this opportunity of thanking Professor Henry Jones of the University of Glasgow for kind criticism and many valuable suggestions, and also my colleague Professor MacCunn, who not only gave me the benefit of his judgment on several points, but undertook the laborious task of reading through the proof sheets. But for their help this book would have been more imperfect than it is, and still less worthy of the eminent thinker with whose theories it deals.

University College, Liverpool,
May 13*th*, 1899.

THE WRITINGS OF RODBERTUS.

I. PRINCIPAL WRITINGS.

Die Forderungen der arbeitenden Klassen (published in Zur Beleuchtung der Socialen Frage, II., pp. 195-223). Written 1837.

Zur Erkenntniss unserer staatswirthschaftlichen Zustände. I. Heft: Fünf Theoreme. 1842.

Sociale Briefe an von Kirchmann. Von Rodbertus.

Erster Brief: Die sociale Bedeutung der Staatswirthschaft. 1850.

Zweiter Brief: Kirchmann's sociale Theorie und die meinige. 1850.

Dritter Brief: Widerlegung der Ricardo'schen Lehre von der Grundrente und Begründung einer neuen Rententheorie. 1851.

Vierter socialer Brief: Das Kapital (aus dem literarischen Nachlass, II.). 1884.

These letters, which give the most systematic account of the teachings of Rodbertus, and which he at one time intended to complete by the publication of two more, may be re-arranged as follows:

Zur Beleuchtung der Socialen Frage. I. 1875.
Zweiter Brief.
Dritter Brief.

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Vorrede und I. Heft, pp. 1-92.
Erster Brief, pp. 93-194.
Fragments, pp. 243-282.

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Zur Geschichte der agrarischen Entwicklung Roms unter den Kaisern. Bd. II. 1864.

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II. OTHER TREATISES, PAMPHLETS, AND LETTERS.

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Mein Verhalten in dem Conflict zwischen Krone und Volk. An meine Wähler. 1849. (Kl. Schriften.)

Die Handelskrisen und die Hypothekennoth der Grundbesitzer. 1858. (Kl. Schriften.)

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Bedenken gegenden von den Topographen Rom's angenommenen Tract der Aurelianischen Mauer. Bd. XXIII. 1874.

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IV. GENERAL REMARKS. § 1. The relation of preceding sketch to works of Rodbertus. Differences. § 2. Real greatness of Rodbertus. § 3. The growth of society and the social instinct. § 4. Importance of social inequality at certain stages.

I.

§ 1. Johann Karl Rodbertus was born in 1805 at Greifswald, where his father held the professorship of Roman Law. After his university course as a law student at Göttingen and Berlin, he served for a time in legal positions at Alt Brandenburg and Breslau. On quitting the state service, which he did very shortly, he travelled till 1834, when he returned to north Germany, and two years later bought the estate (*Rittergut*) of Jagetzow in Pomerania. Here he lived the rest of his life,[1] and from it he was entitled Rodbertus-Jagetzow. Though his reputation at the present is that of a social and economic writer, he distinguished himself for some years by his political activity and influence. He was a member of various local bodies, and also of the second united *Landtag*, where he played a distinguished part as champion of German political unity and of the legislative share of the people in sovereignty. In one of the short-lived ministries in 1848 he held the position of Minister of Education for a few weeks. His brief political career came to an end in the following year, after which, despite an interest in political events which showed itself, and always patriotically, at certain crises, he devoted himself almost entirely to the social and economic studies which have been the inspiration of German State Socialism. In one sense Rodbertus has failed to achieve

[1] He died, 1875.

the position of a great economist, his influence on foreign literature being very slight; but in Germany itself the case is different. Not only has his teaching greatly affected the younger men, both graduates and others, who in many instances formed themselves into *Rodbertus Kreise* for the discussion, criticism, and development of his theories and arguments, but thinkers of well-established position, among them some of the leading German economists of this generation, have repeatedly acknowledged their great indebtedness to him. It is his rare lot to be treated by certain of them as a master.

§ 2. And yet few writers have been the subject of such varying estimates as Rodbertus, and it must be owned that there are many reasons which help to account for the differences in the judgments passed on his work by his critics. Not only is his teaching on society and social relations unmethodically expressed, but he committed the mistake, fatal so far as popularity is concerned, of leaving behind him no one book which gives a fair general view of his system, and thus the reader who wishes to form an estimate must pass from one treatise to another, and endure much reiteration before he can piece together the various severed doctrines into a consistent whole. Probably the best statement is presented in the first three letters to von Kirchmann together with *Kapital*, which is really the fourth of the series; but these, in lieu of a fifth part or fifth letter,[1] have to be supplemented by the second part of the *Zur Beleuchtung der Socialen Frage* so far as that does not consist of the first letter. The matter might be put in another way, since Rodbertus recast his

[1] The fifth and sixth letters contemplated by Rodbertus (*Zur Bel.*, i. Third Letter, 330) were not written.

second and third letters into the first part of the *Zur Beleuchtung.* Looked at from this standpoint, his main teaching may be said to be given in the two parts of the *Zur Beleuchtung* together with *Kapital.* But in either case this series must be supplemented on many sides. To understand how his views took shape they must be read in their earlier as well as their later form, for which purpose the book *Zur Erkenntniss unserer wirthschaftlichen Zustände*, and the pamphlet *Die Forderungen der arbeitenden Klassen* (1837), are particularly valuable. Again, a large part of his teaching on the historical periods through which society passes is contained in the papers contributed to Hilderbrand's *Jahrbuch.* Particular points are developed separately, and in some cases, more especially in those of the normal working day and the position of the landowners and their relation to society, they are so closely allied with his whole system as to require careful attention.

In addition to what has already been said, there are two particular circumstances unfavourable to his popularity. In the first place, much of his positive teaching is interwoven with lengthy criticisms of authors from whom he differs, a feature which invests it with an air of digression, and often actually injures his own statements of theory. Secondly, he is singularly and pleasingly unpartizan. No party can claim him wholly and entirely. No doubt he builds on a broad socialist basis ; but his socialism is not active, vehement, aggressive, and one-sided. Thus a far more prominent place, as a living force, was taken by Lassalle, and the text-book of socialism is the *Kapital* of Marx. To mark the contrast with the latter, it may be added that of the many treatises of Rodbertus but one, and

that more brief than important, has been translated into English.

§ 3. The two, indeed, are different and even antipathetic types; Rodbertus is a philosophic historian; Marx an eager, keen dialectician; Rodbertus a lover of nationality and a strong German patriot; Marx a restless cosmopolitan, and a Jew with a typical disregard of modern nationalism, failing to realize its strength and necessity and craving after vague international unity; Rodbertus a statesman, conscious of the grave difficulties of administration and conservative in so far as to give an equal place to the maintenance of the state with its reform; Marx a revolutionary, intent on reform, somewhat reckless of consequences, and infinitely less sensible of the actual difficulty of carrying on government. It is not necessary to enter at length into the disputed question of priority and plagiarism as between these two writers. So far as this relates to surplus value, the doctrine itself is, in its essence, deduced by both from the teaching of others. It is stated with greater apparent precision and given more distinct prominence by Marx. On the other great point, that is, the gradual development of society through certain stages and forms, Rodbertus' treatment is so vastly superior to that of Marx as to leave no room for comparison. A bitter controversy was raised by the arraignment of Marx, on the score of wholesale plagiarism, by certain adherents of Rodbertus who considered that the originality and merits of the latter had received insufficient acknowledgment. In this case, as so often, it is probable that part at any rate of the resemblances are traceable to common contemporary influences. But the question of actual priority is different. Surplus value and also other points of minor importance are

clearly defined in the first social letter to von Kirchmann, published 1850, and in the *Die Erkenntniss* published in 1842. Not only so, but they are suggested, though of course not elaborated, in the pamphlet *Die Forderungen*, written in 1837, though published long afterwards. This latter indeed contains the kernel of the doctrine of surplus value, briefly and concisely stated in a few sentences.

§ 4. Quite other is the comparison when we turn to Lassalle. The relations between Rodbertus and Lassalle were cordial, and at one time most intimate. There was warm mutual regard. The younger and more brilliant of the two never hesitated to acknowledge the other as his teacher and in economic insight his superior. The differences of opinion between them related to two matters. Rodbertus considered that Lassalle was unwise in associating an economic cause with political agitation;[1] and he thought that the practical remedy which the other proposed for many of the difficulties between capital and labour, namely that of state-assisted productive associations, would effect little, and could not correct the main evil of the existing system, which lay in the existence of rent.[2] That could only be remedied by a national or state system. It is possible that the difference of attitude here betokened arose in part, at any rate, from a general difference in standpoint and temperament. Society past and present lay on the table before Rodbertus. He puzzled over its intricacies, mastered its lines of development, and suggested means whereby these, when likely to terminate in ill, might be corrected. Time and immediate reform

[1] Cf. *Briefe* (Meyer), i., pp. 101, 211.

[2] Under rent he includes the gains of both land and capital.

were not of grave moment. Sudden and complete change was not dreamed of. But Lassalle craved for accomplishment. Action was the necessity of his nature.

§ 5. To the great body of modern socialists Rodbertus' attitude is not congenial. It is not that he is unsanguine in his views; he is hopeful, even confident, of the future of society, but his hopefulness is that of one who derives his hope from the certain though gradual progress accomplished in the past, not that of one who deems achievement, or even partial achievement, within his grasp. It is not that he does not denounce the obstacles standing in the way of advance and improvement, but these to him are mainly of society's own making, and the classes who profit, or appear to profit, and so stand singled out by others for blame, hold their positions, in his eyes, because they stand in the breach and perform the functions of direction which society is too weak to undertake on its own behalf. He turns away averse from all revolutionary change. Before society can hold its true position, and before a sound and improved social system is possible, society must undergo a radical change in itself; it must realize a social conscience, and its members must learn to appreciate art, literature, and science, as the enduring aims of civilization and the worthy object of labour. All this will take time. Decades count as nought, centuries but as units in the evolution of a nation from one stage to another, and till such be accomplished the interests of individuals and classes must be subordinated to its maintenance.

§ 6. On the other hand, Rodbertus has encountered hard treatment at the hands of many economic critics,

who have been led in many instances to undervalue his work on account of the undue prominence which he gives to his favourite doctrines, or through the errors, or apparent errors, committed on certain points, mainly, indeed, in his criticism of accepted economic doctrine. Some of these mistakes are, as suggested, rather apparent than real, and largely due to a mistaken view by Rodbertus of the application of the views he is criticizing. This is partly so, for instance, in the case of the profit-rent (*Gewinn*) or interest for the use of capital, where apparently he is under the belief that orthodox economics teaches that all that goes to the capitalist is really *due* to him for the use of capital. Rodbertus is led into the opposite extreme, so as nearly to assert that nothing is *due*. Again, when criticizing Ricardo's theory of rent, he is mainly criticizing it in view of the importance attached to it by von Kirchmann and others as the main cause of commercial crises and pauperism. This, in part at any rate, he is willing to admit, if rent be taken as something other than mere differential or strict economic rent. Of the existence of this latter he was well aware. He expressly refers to it, but only to add that, while differences in fertility are a cause of differences in rent, they are not the cause of the existence of a rent. To disprove the historical importance of this cause, he proceeds to show that in many countries cultivation has proceeded from the worse to the better lands and not from the better to the worse.

§ 7. Through causes such as these, Rodbertus has often gone without the acknowledgment and has failed to win the appreciation which are his due. Owing to these, too, his influence on economic theory has

been largely indirect and exerted through the writings of some few who are at once generous critics and discriminating admirers. That these positions are not incompatible is aptly illustrated by the words of Professor Adolph Wagner: "It is true that in common with most of my economist colleagues I consider many, indeed the larger number, of the theoretical points of Rodbertus' teaching incorrect, in particular his views on value, rent, and the origin of private capital, on population, crises, . . . likewise his views on money and on banks of issue, . . . and many others. And yet, despite all this, I believe that here, as in the rest of his teaching, Rodbertus shows himself possessed of deep insight, and is suggestive in a degree to which few others have attained; in fact he deserves the title of a 'Ricardo of scientific socialism.' To take one instance, this title is his due on account of the fundamental importance of his searching discrimination between the purely economic, the abstract, and the historical, categories of the fundamental conceptions of economics. The recognition yielded to such a man by a discriminating admirer depends not so much on actual agreement with the many theories of the great thinker, as on the extent to which he has aided the progress of science, and the stimulus which his successors have derived from him."[1] In this passage the great suggestiveness of Rodbertus and the influence of his main conception of society are justly emphasized. Another feature in his teaching is brought before us, namely, the careful distinctions he draws between doctrines as being theoretical, or actually realized in fact, that is, between doctrines as representing present facts or as representing facts under conditions which as yet

[1] *Zur Beleuchtung*, ii., Introduction by A. Wagner, p. xxv., xxvi.

do not exist. He himself, when writing of Ricardo, says with regard to the correspondence between labour and value, that the statement of this as a doctrine is most important, but that it is an error to suppose as some have supposed, that this actually has been or is the case.[1] Labour should be the basis of value as value should exist in a correctly organized society. Whether he be right or wrong does not matter here, for the point to be illustrated is his distinction between a theory in its abstract and historical aspects.

§ 8. There are other features which deserve notice. One such is his habit of pregnant epigram. Scattered throughout his works are sentences which contain as much suggestion as many an ordinary volume. Take for instance the phrase, "Rent is nothing else than the last trace in history of lordship"[2]; or "Freedom of person is certainly a good thing, but after all negative in character, it is only the good fortune to be otherwise than dependent on the arbitrary will of another"[3]; or "To such an extent are our every-day conceptions perverted by existing conditions, that just because at the present time a man cannot work without permission, we speak of that permission as work"[4]; or, "To-day it is mainly the owners of land and capital who perform the economic functions of society"[5]; or, "The labourer can never become owner of his own product"[6]; or again, "Say and Malthus made as much account of human life and health in

[1] Thus of Marx' views he says: "He makes two mistakes. On the one hand he treats the labour value of all commodities as already realizable in practice, while this can only be achieved through definite laws. . . . Secondly, he regards the social fact that the labourer does not obtain the whole product of his labours as an anomaly. It is normal." *Briefe* (Meyer), i., 100.

[2] *Kapital*, 216. [3] *Die Forderungen*, 198. [4] *Zur Bel.* i. 73.

[5] *Kapital*, 168. [6] *Briefe* (Meyer), 112.

the sphere of manufacture as a general on the battle-field"[1]. Of equal interest is the feeling of statesmanship which continually shows itself in his writings. Some authors of great ability produce work of high ingenuity but of comparatively little value, just because they fail to realize what is administratively possible, but this instinct, sense, or whatever it be called, was possessed by Rodbertus in a marked degree. The quality itself is somewhat difficult to characterize. Perhaps it may be described as a sense as to the working possibilities of a scheme, as opposed to its logical completeness. Despite much that is fantastic, we can detect this in his attitude towards his own system. He seems to be continually asking himself how it will work, and ever feeling the need of time for the nation to develop, and for the system to adapt itself to the living force which it is designed at once to express, to protect, and to assist in its growth. Thus he expresses his absolute conviction that socialism when it is realized, will be, and for a long time will continue to be, monarchic in form.[2] Another good illustration is offered by his remarks as to the harm incurred by the social movement in England during the thirties, through its association with the political aims and methods of Chartism.[3]

§ 9. But, after all, the main importance of Rodbertus in contemporary thought depends on two characteristics in addition to the points mentioned by Professor Wagner; on, that is, his general conception of society and his method of treatment. Society is to him indivisible and continuous, it stretches through the past, is in the present, and extends into the future; and its growth into a reasonable and coherent unity is the

[1] *Briefe* (Meyer), i. 203. [2] *Ibid.*, p. 32. [3] *Ibid.* 139.

great work of the ages. Starting from a rough and ready group of individuals, the social instinct passes through different stages and periods, acquiring new qualities and developing fresh features in its advance towards the realization of its own moral sense or conscience and its highest and rightful form when artistic and intellectual aims shall have superseded those which are material. Progress in this direction is thus all important, and we must be prepared to pay its price, even though this includes the sacrifice, or, at any rate, the subordination of various classes and individuals. As to this Rodbertus is never in doubt, and both his criticism of existing conditions and his suggestions of reform are primarily inspired by the ideal of the state and not by a desire for the equality of individuals and classes. His socialism, in other words, grows out of the conception of a strong state, and to social stability, both present and prospective, as it is and in its development, all other considerations must yield.

His mode of treating economic questions has strongly affected a number of thinkers and writers. He employed the historical method, and his ambition was, while treating economic conditions generally with reference to their historical growth, to leave behind him an enduring and original contribution to knowledge with regard to some one period. Hence his sketch of Roman taxes and economy. But this belief in the use of fact as the basis for social and economic theories did not lead in his case to the abandonment of the deductive or hypothetical method. Abstract and hypothesized arguments abound. He realized, however, that it was the duty of the economist to distinguish between the two and not to mistake his own assumptions for facts. It is true, no doubt, that he was not invariably success-

ful in keeping the two apart, as when his philosophical tendency led him to treat history as proceeding more regularly and in a more orderly and simple development than is the case.

Throughout his writings he displays remarkable breadth and fertility of treatment. These qualities are shown in the particular attention which he bestows on special points, as well as in the scope of his general argument. Some of his letters[1] deal with taxation, and he speaks with amused contempt of the naive view that a modern state can dispense with all indirect taxes. Both kinds of taxation, he adds, are needed. Direct taxes, however, must be levied with great care. In modern systems there is one great defect. Taxes on land must find their counterpart in a general tax on capital. Indirect taxes must be differently treated, according as they are true taxes on exchange or taxes levied on certain items of consumption which occupy too large a part of the whole (thus taxes on spirits, tobacco, beet-sugar). Exchange is moreover of three kinds. There is, firstly, the real exchange of commodities; such should be absolutely unfettered within a nation, and as free as possible between nations. Secondly, there is the exchange which is the application of funds to production. Here moderate taxation of land and capital is the right course. And, lastly, speculative exchange. In this instance taxation should be restricted only by revenue considerations. Again, of the individualistic conception of the state or police state (*Polizei Staat*) he writes that a state system of this kind is an obvious necessity in the course of national evolution. A state, he adds however, that shall endure, that is, a state self-contained and with its parts in due equi-

[1] *Briefe* (Meyer) pp. 43-46. Cf. p. 56.

librium, must conform to one of two types. It must either be based on autocratic rule, in which case slavery and subordination are its normal features or it must be a free state, able to control and direct its own course. The individualistic state or *Polizei Staat* covers the gap occasioned in the passage of society from one form into the other. It is thus a temporary expedient or makeshift in a time of change. One of the gravest difficulties of the present lies in the fact that the individualistic state, both as an idea and as a practical reality, is giving way before the foundations of the new type of state are securely laid.[1]

II.

§ 1. There are three features in the more purely economic teaching of Rodbertus which have been the object of considerable and often adverse criticism. They require careful attention, not only in their connection with each other, but separately as regards their individual validity. With regard to them, one general word of caution is necessary. To do justice to the ideas of Rodbertus it is sometimes necessary to strip them of the form which they receive in his pages by reason of their connection with some detail of criticism or system which is irrelevant to the essential truth or content of the doctrine in itself, and to exhibit them thus unencumbered of little perversities of expression or connection. The first of these features is his view of value, the second the view that the *share* of wages tends to decrease, and the third relates to the development of society through certain historical stages and periods.

[1] *Zur Bel.*, ii., p. 180.

§ 2. With regard to value, the argument of the author is mainly directed to show that no system of society is satisfactory or likely to be stable in which value does not correspond with labour, or in which it is not, speaking roughly, based on labour. Now, despite occasional looseness in language, there are two errors of which a fair criticism must hold Rodbertus guiltless. He does not regard labour as necessarily or invariably occasioning value, but as doing so when social conditions have brought into correspondence the labour applied to production and the requirements of the society. It is only when applied to satisfy wants in their due order and according to their respective intensities that labour measures and determines the value of its products.[1] Again, he does not state that such a correspondence has ever existed, or that labour has been in the past the basis of value. In fact, when the point arose he definitely remarked that this had not been so. But he suggests that considerable progress has been made in these directions, that the correspondence is more realizable, because labour is at length considered as a more prominent element, and urges that the task of the future, and of the economists and statesmen, who are largely responsible for the well-being of the future, is to devise a system in which labour shall be rightly directed and made the basis of value. He adds the warning that such a system will involve many social functions, and that under it the workman will not and should not be the owner of the total product of his labour.

§ 3. The weak point in this theory of value is the treatment of capital. This is not left out of account, but it is regarded as constituted of the past

[1] *V. infra*, pp. 102-103.

labour required in its production; in other words, time between the date of production and that of consumption as a necessary element in value does not receive the attention it demands. As will be subsequently seen,[1] this conception is not directly opposed to that taken by him, while some passages even seem to intimate his acceptance of it. The gain of capital which Rodbertus had in view was not the remuneration for postponement, but that part of the produce which the owner of capital could exact by reason of his vantage ground in the bargain, and which was, therefore, the reward of possession.

Differential rent due to differences between the circumstances of production, according as these were more or less favourable, will, he writes, always exist in individualistic organizations. It need not occur in a sound social state, where the product will be reckoned at the average.

§ 4. On turning to the second point, the tendency of wages to fall, so far as proportions are concerned, is laid down as the distinctive feature of a society in which land and capital are in private ownership, and as a cause of much of the suffering and economic disaster of the present. To it are due pauperism in its modern form and commercial crises. It entails these particular results because society, while still in the stage of private property, is freed from the earlier autocratic rule which maintained an equilibrium between demand and supply. These results mark the species of interregnum through which we are now passing. Here again it must be noticed that Rodbertus does not assert that the present state of things is necessarily worse than that of the past, but only that it is

[1] Pp. 141-142, 150, etc.

different, and that its evils are other in form than those which previously existed. For those which exist there are two causes, the tendency of wages to fall through the advantages possessed by the owner of land and capital, and, secondly, the present competitive system. Abolish competition as it exists, and one of two alternatives must be faced. Either we must have a system such as that of the past, in which society was organized in small groups, in each of which the will of the lord was supreme, or private ownership of land and capital must yield to state ownership. In dealing with this particular theory, not only is the statistical evidence adduced with regard to the relative fall in wages quite inadequate, but sufficient distinction is not drawn between it as a tendency and as a tendency which is realized in the facts of the time. The important point to understand and emphasize is the great distinction between the relative fall of wages in these two aspects. It may be a tendency, and yet be withheld from operation by sundry checks and institutions, as, for instance, trade unions, devised and potent in society. Here Rodbertus would have done well to consider how far these were capable of serving as a first step in the progress to be accomplished. From such references as he makes to them it is obvious that he regarded them as so many false attempts, and so as likely to make it harder than before for the state to regain and tread the right road.[1] Strikes and private associations were, he thought, dangerous, not only because of possible disturbances, but because their success might still further postpone the time when the state would assume its right position of direction and control. They might weld still more firmly the habit

[1] But *v.* p. 204.

of private ownership in land and capital by increasing the number of those interested in such property and its continuance.

§ 5. The historical sketch of the gradual growth of society, admittedly great though its merits are as pointing to a particular mode of study, can only be accepted as provisional. In this instance Rodbertus' merit is to have indicated a right method, and to have marked out the distinctive features of certain typical periods. On the other hand these are hardly so definitely divided from each other in detail as might be assumed from his work, while, throughout, he has treated history as admitting of simpler characterization than is the case. History is uneven and partial in its progress, and his writings leave the impression, probably an impression which imperfectly represents his own mind, of a more certain and uniform development. At the best, his periods overlap, and must be taken as marking the gradual but irregular transformation of one type of society into another. Of course this is what anyone who has studied history would expect. The only question here is whether Rodbertus has generalized too vaguely and without sufficient contact with facts. One remark may be made. Though he has sometimes combined, to their mutual disadvantage, the two processes of abstract and empirical argument, he has not committed the fatal mistake of taking facts as of secondary importance, that is, to illustrate instead of to form the basis of theory.

III.

§ 1. The aim of Rodbertus in his treatment of society is threefold. The laws and course of social growth are investigated and traced; the obstacles in the

way of equable development depicted; while, lastly, search is made for the best means of removing these, or, at least, of neutralizing their harmful effects. But though these various ends present themselves, sometimes separately and sometimes in close connection, the pre-eminence of the first, both as a matter of scientific inquiry and also in point of practice, through its fundamental relation to the others, is clearly presented to the view. The true nature of social growth and activity is the subject of investigation.

§ 2. An immediate difficulty presents itself in defining the connection between individual and social development. As to this it is important to notice that these do not stand to one another in any inevitable chronological connection. Social growth does not delay its commencement till individual growth is complete. They are contemporary with one another; and a certain stage in social growth co-exists at one time or in one place with a certain degree of individual development, at another time or in another place with another. Social growth, indeed, is often affected or deflected in its course by changes taking place in the motives and aspirations of people in their separate individual capacities. Again, we must not forget that despite sundry resemblances there are important differences in the modes in which physical perfection and the element of society are respectively realized. While one, the former, is achieved by physical evolution, in which elimination, based on so-called natural or unconscious selection plays an active part, the other is the creation of history and historical evolution, and the result of conscious choice shown in the encouragement of particular aptitudes and qualities, which whatever might be their lot in an unrestricted competitive struggle, are

of value to society within itself. A society is an organism which largely determines the conditions of its existence, and which must make a conscious and deliberate choice of its constituent elements. The preference expressed for social over individual utility is the first step in social development.

§ 3. But what is the nature and what are the elements of social being? Like individual life it is threefold; having, that is, its ethical or spiritual, its intellectual, and its material sides. Bearing this triune development in mind, we reach some definite conclusions of sufficient importance to be definitely formulated. Society depends in the first place on the realization of an ethical sense. It must realize itself and be realized by its members as different from, however closely connected with, the separate aims and instincts of these. But this is not all. True progress can only occur when intellectual, artistic, and moral ends are preferred to simple material gratifications. Society in simple phrase must realize itself, and realize itself worthily. Thirdly, its safety from internecine dissension, arising out of individual hardships and dissatisfaction, will only be secured when its economic organization is such that income shall correspond with exertion and labour.

§ 4. Next we come to the process through which society and the social instinct have passed, and the circumstances conditioning them at the present day. The idea of society has been developed in successive stages or conditions. The family formed the first stage and in it, the nursery of social ideas, mankind first of all learned to realize social aspirations, to embody them in ties and affections, and to seek their attainment in the development of various functions. To it succeeds the tribe, and

to the tribe the nation; and thus, in ever-widening groups, society realizes anew and under more difficult conditions the lesson learned in the family home. These stages, however, are not, so to speak, exclusive; the family is not superseded, only reinforced, by the tribe; and so the tribe, though here succession is more largely supersession, by the nation. Each stage is involved in that which follows, a fact peculiarly true of the family which even at the present day is in a large measure the foundation of national unity. The successive stages differ, that is, not only in extent but also in nature, inasmuch as each possesses characteristics peculiar to itself and needed for the complete development of the idea of society.

§ 5. So far as we have yet advanced, all forms of society have involved some degree of subordination of individuals to individuals or of classes to classes, or indeed of both. Inequality rather than equality has been the social rule, both politically and economically. For this there is abundant reason or, to use a more doubtful term, justification. In early days the various groups learn to appreciate their common life and aims most effectively in the life and aims of their leaders. Without leadership and personal predominance this lesson would be apt to go unlearned and society would fall to pieces.

If we look at civilization, which is, as it were, the vital evidence of society and the record of its progress, we find that it is based on the gradual growth of higher and less material ends as deserving recognition. The condition of the savage who regards material satisfaction as the only thing requiring attention and sufficiently important to requite toil, gives place to that of those who seek the things which are of the spirit, which are of the intellect, which are the outcome of art.

The passion and the eagerness with which these are sought depend on their fuller appreciation, and on education into such appreciation, the obstacle to which lies in the backwardness of men and societies to give them their due place. Such place as they have obtained is, indeed, largely owing to the inequalities and subordination which exist in society, and which result in the apportionment to certain individuals of wealth really gained by the toil of others. Surplus wealth is embodied in higher forms more readily than wealth which is the result of personal labour on the part of its possessors. In the interests of society, unequal division of wealth is necessary so long as this is so, so long, that is, as the vast majority of men are unwilling to give time and trouble for other than material ends. Even now these higher satisfactions are not sufficiently prized, and so it is a cause for positive congratulation that wealth is thus apportioned as to permit the advance of civilization. So for the time being the third principle which will be found realized in a perfect society must be left on one side. Work and income cannot be brought into correspondence at present without disastrous results. The cause of this is the insufficient development of both individuals and society, and this development proceeds very slowly. For the present, work must be performed under the hard compulsion of material needs or not at all, for only the satisfaction of these is regarded as sufficient to recompense toil; and society and mankind labour on, and must labour on, to the pleasing accompaniment of the lash of hunger whistling in the ear.

§ 6. At the present time, society is in the national period, and social instincts have to be realized thus widely extended. In many cases, indeed, the very early stages of national development have been already

experienced. The particular features which serve to distinguish the actual present from the past, need enumeration.

§ 7. In the first place, the division of labour with its attendant conditions has imparted a novel industrial unity to the nation, and so has altered the area in which a fairly intimate sense of common interest has to be realized. A social authority operating effectively is easily conceivable when the limits within which it moves are, as it were, visible, but when these retreat into an unmeasured distance and become vague, though not imperceptible, the difficulty of social action is most gravely increased. It is no longer a family which has to direct the efforts of its various members so as to make provision for their many wants, all of them almost audible, but it is a nation, and the activities of a nation are infinitely more varied and less easily ascertained, and its wants more multifarious. The alteration in extent is so great that it almost constitutes a change in nature. Such an extension, however, does not take place so long as economically and industrially the nation is divided into separate groups. Only after the division of labour can the social will become an active force throughout the nation in its economic capacity.

§ 8. In the second place, the difficulties of the present are materially aggravated by the change which has taken place in political organization. The control and direction of society is in the hands of the majority, which formerly was not the case, and political subordination either of individuals or of classes is giving place to political equality at least in form. Thus the realization of social unity and the development of state action in matters social and economic have to take place under changed circumstances. Whatever the

ultimate effect of such altered political organization, and great though its elements of stability may be in the future, at the moment of change the admission to power of new and untried masses involves considerable danger, and the danger is aggravated by the fact that side by side with this new political equality, remain the old social inequalities. In other words, social and economic subordination and the need for it continue to exist unaltered. Logically no doubt, social and political inequalities should stand and fall together. Both find their justification in the unfitness of the large mass of mankind to direct and control their own actions, and in the unreadiness not only of most, but of all, to labour and toil for other than material ends. Fitness for political action might, it may be thought, imply fitness in other directions. But emancipation from control and growth in responsibility manifest themselves sporadically and first on one side, then on another. Advance along the line takes place at length, but not at once. The indication of a decision on large political issues is different from the immediate control of social and industrial actions.

§ 9. These particular causes among others, with their consequences and the suddenness with which they have come into action, are responsible for the development of the individualistic state (*Polizei Staat*), and furnish the historical justification of individualistic political theories. The actual function of the individualistic state is to supply a means for carrying on necessary administrative business till a true social state can commence its action under the altered conditions. The breach with the past, which is largely due to the effects of the division of labour in the social and economic sphere, has occurred at a time when individuals have won new political

power, and before they have learned the responsibility which must go with such power. Our present form of government must bridge over the gap. During its continuance the possibilities of state action in a system of national industry must be ascertained, and the individual must be taught to realize the responsibilities of his position and the true meaning of civilization. Till then the control by the democracy of a state which should direct political, social, and economic action in other than general issues would be likely to end in disaster.

§ 10. None the less it is fatal to mistake a temporary expedient for a normal and stable institution. But this is what so many have done. Competition in the economic sphere, social disorder, and the restriction of the action of the state to questions of politics and the enforcement of order and contract are viewed as the various parts of a normal system which can endure, and in which power is so distributed as to produce an equal balance. Of course the contrary is true. On every side there are fatal signs of disorganization. The difference between the two views is fundamental, for while those holding the one are lulled into false security, those who realize the other, warmly though they support the administration, are all the time endeavouring to prepare the way for a sounder system. The fundamental errors of the former are, firstly, a wrong view as to the functions of the state, and secondly, a large number of closely connected misconceptions as to the true nature of value, capital, rent, interest, and private property. Analysis and examination of these terms lead to certain important conclusions; and in particular a careful distinction must be drawn between their meaning and content under existing con-

ditions and those which would attach to them in a more equitably and correctly organized social state. Thus value should correspond with labour cost; at present it does not: private property should be restricted to income; now it extends to the ownership of land and capital, while at one time it included the possession of slaves: interest and rent are payments made to private individuals and owners who perform tasks which should be undertaken by the state, and are determined in their amount not by the value of these but by the power of monopoly or possession.

§ 11. The long continuance of existing conditions, that is, of the state in its present relation to society, is impossible, and attempts to perpetuate it are full of danger. There is, for instance, menace in the existence of social and economic inequalities side by side with political equality and democratic power; likewise in the constant *tendency* towards decrease in the share of the total product obtained by labour, a decrease which issues in pauperism and commercial crises; likewise in the power of exploitation vested in one class, the owning class. Even if restrained by law and actual circumstances, these exist as tendencies, and as such menace the well-being of society.

§ 12. At the root of these dangers and possible evils is the existence of private property in land and capital. Private property itself is an essential condition of a stable society, but private property no more implies private ownership of land and capital than of slaves. Private property in land and capital is the last trace of the old system of social subordination and involves the elevation of one class over another. Hence the need for its modification and ultimate extinction in the interests of society.

§ 13. Though this may be contained in the far off future, no sudden change is desirable, and none such should be contemplated. Two considerations are sufficient to place this beyond dispute. The present system works, that is production and distribution take place, and the course of consumption is such that society is maintained. But it may be questioned if a socialistic system such as is contemplated by some would have a like result. It is not a question of aim or of object but of practice. Even though the hindrance to its successful operation lies rather in the weakness of humanity than its own defects, failure in practice would be none the less disastrous. It would mean social disintegration. Secondly, as has already been pointed out, the maintenance within a society of aims somewhat higher than those which are plainly material, is of such inestimable importance as to warrant the infliction of a large amount of individual or class hardship.

§ 14. Yet much may be done, short of revolutionary change. Social reform has two objects, the gradual preparation for a more complete and satisfactory system and the avoidance of particular and imminent dangers. In some instances the same measures may achieve both ends. At the present time, however, reform must be mainly directed to ward off the dangers almost certain to be incurred by a continuance or increase of social and economic exploitation, and here the most pressing need is the prevention of any further decrease in the proportion in which labour is admitted to share in the total product or income of society. The introduction of a normal measure of value and a means of determining the relative shares of labour and capital would secure this desirable end best of all, and such, it is claimed, is found in the Normal Working Day. This reform, while

involving the active interference of government in industry, does not mean the conduct of industry by the state, and so is available without delay and without radical change. Even if it be the first step towards the realization of a state system of industry, a long time will elapse before this final achievement can be more nearly approached.

IV.

§ 1. In the foregoing pages the attempt is made to give a sketch of social growth such as a liberal criticism may deduce from the writings of Rodbertus. It does not correspond exactly with his system as he himself set it forth, inasmuch as some points omitted by him have been introduced and subjects treated by him at great length have been given less prominence. But differences such as these are inevitable when dealing with a writer whose works present such an admixture of special disquisitions with systematic exposition. In such a case an attempt to describe the drift of his argument is not without its use.

Rodbertus has certain very grave defects. His treatment of certain matters is badly proportioned. He lays enormous emphasis on details which, after all, occupy but a small space in his general scheme. His reiteration becomes monotonous and often results in misunderstanding. At times a strange perversity dominates him, and, in his haste to destroy what are almost figments of his own imagination, he neglects matters of real importance. But these defects must not blind us to the true value of his work. He distinguishes, as few have done, between the historical and logical truth of particular doctrines; in his pages the present importance

of an institution as a part of our existing system is rarely confused with its position in a system otherwise organized; and, in addition, he studied society and social institutions in their growth and historical relations. Like a lonely watcher, he stands aside to study and describe. The stream of life with its wonderful variation passes before him in its onward course to be measured and judged. And his judgment, though illumined, is neither weakened nor hastened, by social enthusiasm. Ages have passed and ages are to pass before society shall reach its maturity. It was Rodbertus' work to record their passage, to indicate their achievement, and to foretell the nature of future progress.

§ 3. Many features in the teaching of Rodbertus have been passed in review, and many of his merits indicated, though all too briefly indicated. His historical treatment, his critical discrimination, his great suggestiveness, his conception of the relations between economics and social philosophy, are matters which deserve more attention than has been given them. Apart from these, two features of his teaching deserve to be emphasized afresh.

The first is his treatment of society or the social instinct as the creation of history, and as being developed through various stages and institutions. It grows and strengthens and becomes ever more powerful as compared with individual interest. This doctrine of social evolution, and of social evolution as distinct from natural evolution, though, perhaps, widely recognized now, was novel in the early days when Rodbertus gave it expression. Little has been done to develop the theory as he taught it.

§ 4. The second point is his careful recognition of

the connection which exists between the forces of social and individual evolution, and of the way in which those in the latter direction have prepared the way for social growth. Inequality and the compulsion which it exerts are the rough schooling which teaches the importance of labour and yet provides opportunity for the growth of those more civilized arts which untaught mankind is prone to regard as little worth trouble and toil. At first their cultivation depends on their small cost. Only through their practice, and according as they tend to produce a new standard, is their importance realized; and only thus are new and higher aims impressed on daily life.

PART I.

SOCIETY, ITS NATURE, GROWTH, AND DIFFICULTIES.

CHAPTER I.

ASPECTS OF SOCIAL GROWTH.

§ 1. *Different modes of studying social organization: abstract and historical analysis.* § 2. *Rodbertus' use of history. His deep historical sense and its consequences. Comparison with Burke.* § 3. *His particular interpretation of society as a progressive and historical creation.* § 4. *Comparison and contrast between social and individual growth. Differences in aim and method.* § 5. *Individualistic conceptions and methods prevail between nations.*

§ 1. If we distinguish social writers into those who employ abstract, and those who employ historical analysis as their means of investigation, Rodbertus, without doubt, must be classed with the latter. It is true that he often turned aside from the actual consideration of fact to abstract theory, and equally true that many of the conclusions which he states were reached by this method, but this must not obscure the far greater importance which historical study holds in his system. History furnishes him with the foundation on which he builds. Nor is this all. From his careful observation of the course of social development as it has taken place, he sketches in outline the constitution of society, and the laws which regulate it and govern its evolution. Historical generalization and analysis are to him the means of ascertaining the fundamental principles of social

stability, and of distinguishing tendencies and conditions essentially temporary in their nature, from those which are lasting. The importance attached by him to these methods of study is obvious from the general tone of his enquiry. He works up to his central conception of society from an examination of the various phases through which it has passed. By this investigation he arrives at important conclusions as to its nature and tendencies, and on these he bases his view as to what it ought to be and, in the light of history, essentially tends to be. Thence he passes to a somewhat minute discussion of the features of its present state, using for this purpose his main conceptions as the means of discriminating between the stable and unstable influences mingling in its constitution. In this connection he enters into a careful definition of the relations between the political, social, and economic aspects of social life; the last of these, the economic, occupying much of his attention, as constituting the basis of the others. Its position in this respect leads to a minute examination, on the one hand, of fundamental economic principles, and, on the other, of the various economic systems as working and practicable systems.

No claim of originality can be made for Rodbertus so far as the adoption of the method of historical enquiry is concerned. Many writers before him had treated society in its historical aspect, and in this respect he only took part with others in the great change which has invested the political and social theories of the present century with so large a part of their value. Social organization and the instinct and feelings of the people are no longer considered as separable, and *society* is no longer a term applied to one, to the

exclusion of the other. Modern speculation, indeed, is less concerned with the formal order and classification of the moment than with the closely knit impulses, aspirations, prejudices, and beliefs, which underlie these and give them reality.

§ 2. When, however, we pass to the actual use of this method as apart from its general adoption, we come face to face with features that distinguish Rodbertus, not only from his contemporaries, but from many of those who have followed him. Putting aside for the time his particular view of the course and nature of social evolution, a subject of moment in itself, the constancy and keenness of his historical treatment deserve notice. What with some was a matter of intellectual assent, had become with him a matter of temperament. He thinks, as it were, in history, and history it is which permeates his whole body of doctrine. It is not so much the touchstone whereby he tries his theories, however frequent and however severe the test, as their unquestioned source and embodiment. Among political thinkers Burke, perhaps, is the one most closely akin to him in this respect. In both are present the same statesmanlike use of history and the same intuitive feeling for fact, not as illustration, hardly as the basis on which to build, but rather as the veritable presentation of theory at a given time. Both, again, are free from the temptation to think or speak of systems of social organization and government as things which can be put on or off at will, or altered and adjusted in a few days or a few years irrespective of other social features; such freedom, with Rodbertus, was so complete as to render him insufficiently aware of the part played by these fallacies in the views of others, and of their need of definite

and formal disavowal. But between the two there is this difference. When Rodbertus wrote, the field of knowledge open to the view was far wider, and he himself was not only a student, but a working student. Hence his more minute realization of the importance of history to social theory. Hence his abiding sense of evolution or growth in history as elsewhere. Hence too that constant and almost unconscious reference to the tribunal of history in the course of argument which is unrelated to the number of historical illustrations and instances, and which is shown, not so much by these as by the chance allusion and the general trend of thought. This habit of mind, for such it is rather than consciously adopted method, was doubtless the outcome of the time devoted to close study and original research.

§ 3. The other point referred to above relates to the particular interpretation of social life given by Rodbertus, and though this will be dealt with more adequately in the summary of his writings on historical progress, its general drift is shown in the striking comparison and contrast which he draws between individual and social evolution. This is the more interesting as an apparent anticipation of the controversy regarding the possibility of applying the doctrine of the survival of the fittest to social development, and of its use as an argument against socialism.

§ 4. In his treatment of social and individual life there are points both of comparison and contrast, and with the former it is well to begin. At the very beginning we see the advantage gained by speaking, as Rodbertus so often did, of social and individual or physical life rather than of society and the individual. His object was to emphasize their great common feature

as being the result and embodiment of evolution, as being in fact a growth. With the use of the term 'life' this becomes clearer, for life may be said to imply growth. Thus both are the products of evolution, and if we would understand them we must study them in their growth. Furthermore, in both cases alike we are concerned not with the life of one society or one individual, but with social life and physical life in their essential nature, as this takes form in the passage through different stages respectively social and physical. In both too evolution proceeds in a regular course, beginning with lower stages and thence passing on in orderly gradation through those which are higher, the more imperfect forms yielding to those which are more perfect. But here a point of contrast is touched. In the one case such progress implies supersession, in the other absorption. Individual life, in which the former takes place, is the outcome of the physical creation; social life, as Rodbertus teaches, is the creation of history. We must turn with him to the contrast he discerns between the two, a contrast so great as to lead to the emphatic assertion that historical evolution is the direct antithesis of physical evolution. The contrast is marked in many ways. It is shown firstly by a difference in aim. Physical creation is essentially an individualizing process, while history is a socializing process; by the former, the *Individuationsprozess Gottes in der Welt*, individuality is developed and individual powers and capacities are perfected, till the perfect individual is produced; by the latter, the *Wiedervereinigungs der Welt in Gott*, the gradual reconstruction of the perfect whole out of the individuals thus developed is achieved. The contrast is shown secondly by a difference in method, or in the mode of

evolution. The social organism or the nation, to take the instance with which we are best acquainted, differs from a mere numerical aggregate of warring individuals passing through the sieve of natural selection by the control it exercises over its own destinies; it is instinct with power to create the laws which govern its development. "States," writes Rodbertus, "are organisms, social and historical organisms. As such they are not merely forms of life which grow and develop, . . . but, being social and historical organisms, are capable of determining their own courses. Each state, for instance, in strong contrast to the macrocosm and microcosm of physical nature, has to direct its development down the course of history, whereas these receive the laws of their development and the organs whereby such laws exercise their effect as an inalienable dowry."[1] Moreover, he adds, "The state must consciously select and pursue the course best adapted to its maintenance and future well-being. Merit, when used in speaking of government, means the selection of advantageous courses and the avoidance of those which involve ruin. True statesmanship seeks for laws which preserve the nation in the former courses, and discountenances all laws, habits, and institutions which conduce to faulty or unsound growth."[2] Again he writes: "It is only in the course of physical evolution that things contain their law in themselves; in social evolution the laws of development must be consciously selected, enunciated, and enforced, by man."[3] There is yet another and a still more important difference in method. In the course of physical evolution the development of the individual nature in its various powers and capacities

[1] *Zur Beleuchtung der social Frage*, ii. (1885), p. 58. [2] *Ibid.*, ii., p. 60.
[3] *Ibid.*, i. (1890) (Second Letter), p. 80.

is achieved at the cost of the less efficient; the weaker and less perfect are crushed out in the stern competitive struggle and leave room for the stronger to multiply and pass onward in their march towards perfection. But this process, in itself a natural solvent of social ties and affection, is not the method whereby the social instinct is developed and corporate feelings are initiated and strengthened. Social life is fostered within the society and in response to instincts which involve the subordination of individual advantage to that of others and of the society as a whole. The evolution of society proceeds not by supersession, but by absorption. The small groups within which it originates give place to, and are welded into, larger ones in which the social instinct renews itself and enlarges its scope without loss in intensity. Social progress is, as it were, a series of reincarnations.

§ 5. On certain sides, and especially during certain periods, forces other than those sketched above prevail, and manifest themselves in a law of state survival like that of individual survival. Competition, or the struggle for existence, takes place between the many various states and nations, and the stronger—stronger, it may be presumed, in consequence of their type—crush out the weaker. That such a process takes place is obvious and true ; it is equally true that by it progress is often facilitated inasmuch as an external stimulus is brought to bear upon the nascent impulses towards internal union. External danger often urges and quickens these into growth when otherwise too weak and uncertain to pass into the first stage of active life. But this struggle for national and state existence, though sometimes the occasion of progress, is not, Rodbertus teaches, the source of social feelings and instincts. In

the main it is but an incident in the passage from the individual to society, and as such is due to the inability of individuals to realise at once and finally their social relations with mankind. Social recognition begins with the family, passes through the tribe, matures in the nation, and only after much education can it be extended to humanity as a whole. This recognition however is the essential element of society, and it is to be found within the societies in which it is fostered and not in the external action of these societies which sometimes impedes and sometimes assists its growth. It would be difficult to emphasize more strongly the difference between the forces required in social and in individual growth. Natural selection and the survival of the fittest, unless these terms be interpreted out of their meaning, are influences destructive of the social elements in society, since that which underlies society and makes it something other than a mere numerical aggregate of persons is a community of being and will, a corporate consciousness, and the embodiment of these in common needs and common means of satisfying them. But how, virtually asks Rodbertus, can such community exist if the sole forces controlling society be those of individual interest and if growth involve the supplanting of individual by individual. Such a process is directly antithetical to that deemed by him essential to social life; in the one supersession, in the other absorption is the characteristic.

CHAPTER II.

THE HISTORICAL GROWTH OF SOCIETY.

§ 1. *Progress involves growth in different directions, culture and social evolution.* § 2. *The inorganic age of growth and its lessons.* § 3. *The organic age distinguished into three social phases or periods: family, state, organized humanity.* § 4. *Family or tribal period.* § 5. *State period. Its subdivisions, Heathen Antiquity, Christian Teutonic, the Future. Transitional epochs, marked by individualism, intervene between these.* § 6. *State order of Heathen Antiquity.* § 7. *Its final type, the city state.* § 8. *Transitional epoch.* § 9. *Christian Teutonic.* § 10. *Transitional epoch.* § 11. *State of the Future. Conditions of its realization.* § 12. *The period of Organized Humanity.* § 13. *Criticism of foregoing sketch, as consisting of premature and unproved generalizations,* § 14. *as incorrect, in point of fact actually disproved.*

§ 1. Social history, as Rodbertus understood it, is but one side of the general history of mankind. It is the account of the initiation and growth of the bonds and impulses which unite bodies of men in such a way that they become more than mere numerical aggregates. General history, in addition to this, has to treat of individual development in its various aspects. The close connection which exists between these two different phases of life is one of the causes which render the task of the historian, and what is more to the purpose, of the social historian in particular, very

complicated. For separable though the lines of individual and social growth are by analysis, in history progress in both directions takes place simultaneously, and the course and effects of one act upon and modify those of the other. In other words, the individual does not develop first and the society afterwards, but individual and society develop together and in close conjunction with each other. Some additional light is thrown upon their relation by the often repeated remark that the nature both of man and of society is threefold and that progress therefore is threefold also. Intellectual and aesthetic progress is the development of the spirit or intellect, a development sometimes social and sometimes individual. Again the development of material force or power, both in the community and in the individual, is equally easy to characterize; it embodies itself in the conquest of nature and its subordination to man. But the growth of the will (*Wille*) is not so easy to describe. Here, too, there has been development; here, too, that has been the work of centuries, each step forming as it were the allotted task of an epoch. Yet the nature of the progress is far from simple. Even if we restrict ourselves to its main features, it is directed towards two separate though related goals, and proceeds along two separate lines, sometimes closely parallel and sometimes divergent. On the one hand there is ethical growth, or the strengthening, extending, and renewing, of the instincts which conserve our feelings of right and wrong and of a common humanity, and enable us ultimately to substitute altruistic aspirations and aims for those which are individual. On the other hand there is a political aspect, under which fall liberty, the sense of responsibility, and the spirit of democracy. Though it is obvious that these two developments are connected,

the one relating to the form of government, the other chiefly to the use made of that form, they do not proceed *pari passu* and in common well-defined stages. A very democratic government may be keenly individualistic or even frankly unmoral in its methods and ends; while on the other hand, ethical, social, and altruistic ideas may breathe in the commands and actions of autocrats and oligarchies. With so much variety in direction and with such complexity of aspect, it is not surprising that history is largely a record of compromise. Development takes place now in one direction and now in another; at one time growth in culture is achieved at the expense of moral sensitiveness, at another, both these are subordinated to political liberty; or again social aims are attained by sacrifices in culture and with very imperfect political machinery. There is indeed constant oscillation, but it is the oscillation which necessarily accompanies growth.

§ 2. The absence of anything that can fairly be called social organization enables us to distinguish ages which are inorganic from those which are organic, and yet even during the former, certain advances are made which prepare the way for the subsequent development of society with its various forms and many instincts. Thus labour comes to be recognized as the indispensable element in production, and its exertion either on the part of oneself or of others, as the necessary means of satisfying wants. A further step is achieved when the repeated lessons of experience are taken to heart, and provision for the future, in the form of either food or new instruments and weapons, is made rather as a matter of course than of chance.

§ 3. It is, however, with the opening of organic life that important and, indeed, reliably recorded social

progress begins. Prior to it society has not existed. With it it emerges into being, and soon grows in strength and meaning. Social and organic history is distinguished by Rodbertus into three periods—the family and tribal period, the state or national period, and lastly, far in the future, the period of organized humanity—each period taking its name from the typical form which society presents during it. Such periods are not of course separated by any sharply marked division; the passage from one to another is one of almost imperceptible gradations, in the course of which the form once prominent yields its precedence without ceasing to exist, and underlies that which succeeds it. Each period and social form has its tale of lessons to impress, and with their acquisition the need for the particular discipline which enforces them ceases, and social mankind is prepared for a new order. Of the three periods, the first has been passed through in most parts of the globe, and certainly in all the more civilized parts, while the western world at least is far advanced in the second. The third is still far distant.

§ 4. During the course of the family and tribal period, of which we have scattered records and, as it were, vignettes of particular phases in various lands, certain new instincts, the instincts of social life, are developed and imperishably intertwined with the fibres of human nature. Amongst them, the most important are a sense of union and the recognition of the utility of co-operation and mutual assistance. Social union is realised within the narrow bounds of the family, where the physical influences of kinship nurture it into strength by their strong embodiment and undeniable reality, and under the guardianship

and rule of an autocratic head in whom the interests of the family centre, and whose command is to be taken as its audible resolve. Co-operation with some division of functions, at first experienced sporadically and uncertainly, is gradually ratified by repetition and becomes a common feature in hunting and primitive housekeeping. Yet, despite these developments life remains very simple. The family or tribe moves from place to place; ownership of land in its later sense does not exist, and that which comes nearest to it, namely, occupation, is temporary, though less so doubtless in the pastoral than in the hunting stage. It is in the main common occupation. The temporary and common character of this occupation is modified by the practice of agriculture. Capital exists without doubt, but in the form of an accessory to, and not of a partner with, labour, and its ownership lies at any rate ultimately with the family or the head of the family. Only in the latter part of the period does slavery become anything like a recognised institution; at an earlier date conquered foes are killed or, under exceptional circumstances spared, to be absorbed into the group. Of progress in culture, so marked a feature in the next period, there is little. Before that is possible the elemental basis of social life must be laid.

§ 5. The circumstances of the state period are known to us much better, and of it Rodbertus treats at greater length. He divides it into three orders or epochs: the state of Heathen Antiquity (*heidnisch-antike*), the Christian Teutonic state (*christlich-germanische*), and the state of the Future (*die noch höhere Staatordnung der Zukunft*). Between these, which severally consist of numerous sub-divisions, come transitional (*übergangs*) epochs, during which the forms and ordinances of the

earlier times are slowly dissolved and way is made for the growth of those which are to characterize and embody the new state order. During such times of transition, the chief feature which catches the eye is the prominence and power of individualistic forces. Early forms and social systems are outgrown until they become hindrances instead of helps; against them the new strong life presses irresistibly; individual after individual dashing himself against the barrier, till the breach is made and the fabric falls beneath the onrush of individual enterprise in its turmoil and buoyant strength. But individualism is the solvent of the old forms, not the basis of the new. One, and by no means the least, difficulty in the way of a right understanding of social history is due to the beginning of the transition during the preceding epoch. Thus individualistic forces begin to manifest themselves at the time when the state order, which they will afterwards destroy, has reached its highest development. This is but natural, for as the outcome of the period they are due to the strength of the life which has been nurtured by its institutions, till the former means of protection has become an obstruction. They mark the culmination of the period and testify to its historic worth, even while they prepare its grave.

§ 6. To the time of Heathen Antiquity, the first great order of the state, Rodbertus assigns theocratic states, caste states, satrapies, and city states. In all these, varying though they do in many ways, there are common features. Within the state there are certain well-defined groups, showing that mankind has by no means outgrown an organization similar to that of the family, and amongst the members of these groups there exists, at any rate to some extent,

division of labour; slavery is universal, and the power of the state over all, irrespective of its form, is generally recognized. The three first-named states differ from the last in being country states (*Landstaate*) while it is urban. Still in it, as the most compact and the latest, is found the best representation of the essential features of the whole epoch.

§ 7. The great social feature of the city state of Rome, to take the type to which Rodbertus devoted much attention, was the household. It was the industrial unit of the time, self-subsistent, and with its labour and resources so ordered and distributed that its needs were met out of its own productions. So prominent was the household that the details of its constitution largely determined the nature of the state on its social side. The system of autocracy which pervaded Rome rested on the autocracy of the household, where the power of the head was shown in every regulation, and where the property of the group was common because at his disposal. Whilst this existed, progress in the direction of democracy could effect little change; what of it there was, was external to the household; it took place, that is, as between households, and without influencing their internal organization. Again, the restriction of the division of labour within the limits of this group prevents that feature of growing industrial activity from assuming its present character of competition; it was rather a necessary part of a conscious social order, and the recognition of common wants and common ways of meeting them. Slavery, at any rate during the earlier years of the period, was a domestic institution, and slaves like the younger members of the household were benefited by the social instincts which made them part of a group, interested

in its well-being, and to some extent represented, as well as governed, by its head. As to the relations between households, on the economic side at least there was but little contact, and what there was, was held in equipoise by the dominant claims of the state upon its citizen householders. Conscious social ties and common needs knit the household together, and the state demanded the common devotion of all. Its demands were the counterpart, if not the reflection, of the demands of the father of the household.

The city state, alike in Greece and Rome, bore unmistakable marks of the unconscious historic recognition of culture and civilization. This, as Rodbertus taught, was the real, though, of course, unrecognized justification of slavery, which in early times was the one available means of indulging, and so of developing, higher and new tastes. It encouraged these because it made luxury possible, and because it enabled men to gratify wants without paying for them in toil and time. Luxury was the opening door of civilization, and luxury was possible only through the subordination of an entire class, person as well as property, to another. Equality, with a low rate of production, would have made it impossible for any to do more than satisfy elementary wants. Even had productive efficiency been greater, other than material wants would rarely, if ever, have seemed worth the labour and trouble required in their satisfaction. Desires, however, can be freely gratified if their indulgence is procured by the toil of others.

§ 8. Change came. Beginning with the sale of the surplus produced over and above its needs, the household fell into the position of a trading unit, working for home and foreign markets and for the sake of

pecuniary gain; and so the period of *latefundia* opened. The old household, in its self-subsistence and rude, independent vigour, gave place to a system of competition (*Freihandel*) in all ranks and in all directions. The inevitable consequences ensued. Contrast between the rich and the poor increased into antagonism, corruption spread rapidly, and monied competition, unsanctioned by, and without corresponding social ties, dominated the state. The situation is well illustrated by the miserable system of taxation. So the city state of Rome ripened to its doom. To some extent its ruin was due to its inelasticity. The self-subsistent household with all its advantages, and despite the great benefits it conferred on early society, was too cramped a sphere for the rising energy of individuals and yielded its place before the inevitable and in the interests of the future.

§ 9. The second order or epoch, the Christian Teutonic, like the one it succeeds, embraced several different kinds of state—ecclesiastical states, class states (*Standestaat*), bureaucracies, and representative states, all of which are marked by common characteristics. In all, though more distinctively in the last named, some form of economic opposition between labour and property was manifested. The growth of the rights of labour and the rights of property was full of significance. In all there was an increasing tendency towards division of labour and separation of industries. The division of labour was very different from that developed in the city state, where it was in the main a division amongst and a co-operation between the various members united in one household; in this second order of states it extended over a wider sphere, and one in which ties so definite as those of the family

did not exist. Still a careful examination shows that in the mediaeval type of the representative state some recognition of social unity existed amongst those engaged in industry. Proof of this lingered long in the local control of trade and manufacture, a regulation undertaken in the common interest, at one time stringently performed by guilds and corporations, at another, enforced by ordinances of the central government. Men sought, that is, to regulate industry in the local interest of the district, considered as a whole, and in the interests of those at work.[1] The locality in some sense took the place of the family or household, a substitution involving a great change. No doubt, as Rodbertus saw, there is no definite line of cleavage between the two orders of states; the latter stages of the first often overlap and interlace with the earlier stages of the second, but the essential difference comes out in a comparison of the more advanced types of the two. A local group differs from a family group in many respects. Both intensity of feeling and power of resistance are less. Inhabitants in one locality rarely realize so keenly as members of one family their corporate existence and interests. Again, local feeling is more easily capable of extension. To turn to another point, slavery in somewhat mitigated forms lingers on, though its position is partly filled by increasing private property in land and capital, which supplies the necessary means for the fortunate owners to lead the advance into new regions of luxury and culture. The lash of the slave driver is replaced by the subsistence wage. In this epoch, moreover, democracy makes

[1] The local groups of the mediaeval period are not adequately dealt with by Rodbertus. They are given their position above because they appear to be a necessary part of his historical sketch.

more progress, for here, and in consequence of the change from the family to the locality, even social regulations are largely democratic, and this despite the autocratic tone of the political administration. So a more vigorous sense of responsibility and of common rights and duties is developed.

§ 10. Once more existing forms prove inadequate to the forces of the time, and the whole mediaeval system, with its local regulations and its trade provisions, yields and then breaks beneath the stress and strain of industries stimulated in their development by invention and capital. Water power and steam render local regulation evermore impossible. Capital, hitherto of little moment in industry, realizes its power, seizes its opportunity, and becomes almost omnipotent.

The unit of the first order of states, the self-subsistent household was destroyed by the monied interest, which first found a footing in the exchange of the surplus commodities which remained over after the wants of the group were satisfied. So in the Christian Teutonic order, capital, once a mere auxiliary in industry, but even then a class distinction, finally becomes strong enough to destroy the bonds which men had sought to weave sometimes in localities, sometimes in and between the various trades. Individualism under capitalist guidance sweeps them into the past and asserts its sway. And with what results? Pauperism, commercial crises, land bankruptcies, and general loss, is the comprehensive reply.

§ 11. The state order of the Future is that which will succeed the competitive individualism of the present when once again permanent social forces obtain sway and a period of equilibrium succeeds a

time of anarchy and unrest. Under it will be realized in security some of the vague ideals which now float before men's eyes with the not infrequent result of making them oblivious of the present and forgetful of the limitations under which both it and they are placed. But of the conditions necessary before the inauguration of this new order one at any rate is far from being fulfilled. Invention and industrial organization, in particular the division of labour, have, it is true, so vastly increased productive power that neither the discipline of slavery nor the compulsion of private ownership of land and capital is needed to provide means for the attainment of satisfactions other than those which are mainly, if not wholly, material. Yet to Rodbertus, who doubted the will of society and not its means, it seemed probable that there would be much wandering in the wilderness before it would learn to regard the aims of culture as well worth the labour that their fulfilment requires. When this is realized, and the social will is turned to the attainment of the higher things which give meaning to civilization, the dawn will broaden into day. Private property will continue to exist, for it is deep-rooted in the heart of things, but it will be restricted to property in income and in things to be enjoyed and consumed. The state alone will own the means of production, and with this assertion of corporate ownership, will assume the direction of the national industry and trade.

§ 12. Beyond this, far beyond it, and dim in the shadows which lie beyond that more visible future of which he wrote with assurance, despite the many centuries which he allotted to its realization, is the far other order of things when nations will be no more, but when purified humanity will have passed into

its last phase, and the task of history, the reunion of all men into one society, will be consummated. This he suggests and foretells; he does not attempt its description.

§ 13. In such a generalization of generalizations as the foregoing sketch, the philosophized history of Rodbertus appears without the tacit reference to fact which gives it so much point, and adds so much to its reality in the many writings which he devoted to it. His distinctive publications on the subject were numerous, and he devoted much study to it, and more especially to the social forms existing in the city state of Rome. In this he but followed out the plan he indicates for himself in one of his letters, namely, that of adding to his general sketch of social history the detailed study of a special period.

His views have been the subject of considerable controversy, and often of adverse remark. Though an enlightened criticism will disregard some part of this as based on a misconception of the nature of his periods, which are rather phases through which nations and peoples have to pass than well marked out chronological periods in universal history, specific grounds for attack still remain. His generalizations are deemed premature and imperfect, a judgment in which probably he would have concurred, for his writings show him to be fully conscious of the danger of generalization, and of the smallness of the corner in which he had done any original historical work.

§ 14. Partly in development of this line of argument, partly in definite criticism of particular conclusions, it has been urged that facts refute the distinctions he drew between the various periods. Thus it has been pointed out that the household was not the only, and

in later developments, not the determining feature of ancient states; that, on the contrary, conspicuous features in these were the free workers and the commercial classes altogether outside the sphere of the self-subsistent family; that there was no continuous development between the ancient states and the new states of the middle ages; that after the decay of the former through internal causes, the western world reverted from a system of money economy (*Geldwirthschaft*) to a system of natural economy; that slavery was a diminishing economic agent in the history of Rome.[1] Probably few will contest the truth of these, or at any rate of most of these, positions. It is rather a question of degree than of absolute validity. And yet it may be questioned how far they affect the fundamental importance of the historical sketch and generalization attempted by Rodbertus, considerable as are the modifications they necessitate. The household still appears as a most conspicuous feature in the city state, with a position differing in kind and importance from that which it holds in the developed mediaeval state, and slavery again is more prominent. Moreover, if the periods of Rodbertus be given their right interpretation as phases rather than chronological periods, some even of this opposition disappears. The contention that history is mainly the record of separate cycles, in each of which the drama passes through its various acts from rise to fall, if pressed far, ignores the progressive nature of these and the closer connection which has come into being between one time

[1] Most of these points are raised in *Die Wirtschaftliche Entwickelung des Alterthums*, by Professor E. Meyer. Cf. Mommsen (Eng. tr.), 1894, Bk. II. c. viii., Bk. III. c. xii., Bk. IV. cxi.; W. Goldschmidt, *Handbuch des Handelsrechts*, 1891, vol. i., p. 65.

and another, and also between one nation and another. Civilization, indeed, is not continuous, if by continuity is meant progress without intermission. There is ebb as well as flow in the history of the world; but the progress of civilization rests on the greater and rising strength of the advancing tide. Each onward movement goes a little further than those before it; and the termination of each retreat allows new advance to recommence from a line some little distance in front of that which formerly marked the beginning.

CHAPTER III.

NATURE AND PRINCIPLES OF SOCIETY.

§ 1. *Principles or conclusions arrived at from historical survey.* § 2. *First; need of correspondence between social form and social spirit and aims.* § 3. *Second; threefold nature of society, a vital union of intellect, will, and force. Their mutual interaction.* § 4. *Third; social life, like individual life, an organic growth. Its forces must be estimated by their tendencies.* § 5. *Fourth; social consciousness expressed in government and political administration.* § 6. *Fifth; an important basis of social life to be found in its economic conditions. Danger of low economic aims as the sole incentive in production.* § 7. *Need of connection between labour and income.* § 8. *Sixth; social progress necessarily achieved by a series of compromises.* § 9. *In connection with foregoing conclusions, definitions of Society and the State.* § 10. *Further matters for consideration suggested in the historical sketch. One is, grave consequences of the growth of the social idea through separate societies often in rivalry and conflict.* § 11. *Again, reasons for differences between private and international standards of conduct.*

§ 1. From the review of the different social forms during different periods, and the comparison of the very various degrees of stability which have prevailed amongst them, some conclusions can be drawn as to the nature and necessary principles of society.

§ 2. In the first place, the form of society must correspond to the forces which hold it together and

determine its course. Underneath all institutions and methods of organization lie prejudices, habits, and aspirations which these must represent, and, as it were, strengthen by embodying them. This connection marks the distinction between organic and inorganic growth. Whatever the course of the latter, in organic development mechanical union only exists as a temporary expedient. Society, as Rodbertus is never tired of repeating, is an organism, and as such it requires institutions and outward signs which correspond to its inward meaning. Such relationship between outward form and inner idea exists in both the ancient and the mediaeval periods. In the one the essential unit is the family, the state or political unit being affected by family considerations, and this view, he contends, holds good both in outward institutions and in the mental conception of the time. Family interests, family power, and family institutions, are in some sort of harmony. Again, in later ages, though circumstances are changed, correspondence between social form and social idea is preserved. The group or unit is enlarged, and the locality supersedes the family. There is, it is true, a blurring of outline and a lack of definiteness, but this is common to both form and conception. Local groups are not bound together and prompted in their action by feelings so coherent as those which underlie the family; but neither are the institutions so clearly defined and so effective. Local control of trade, and local regulation and custom exist, however, and they correspond to the common interests which the locality has, and which it seeks to fulfil by common action.

The view thus expressed is not novel to us now; in some respects, indeed, it is the commonplace of

modern political thinkers. Still want of originality is not want of importance, and the commonplace of one age is the discovery of another and that an earlier age. The connection between outward form and inner meaning may be viewed under two aspects. On the one hand the history of the separate institutions teaches us that our judgment of them must depend largely on the extent to which they represent the feelings of the time. Laws and institutions, in addition to marking a high or low degree of development, are good or bad in a special sense, just as far as they embody, or do not embody, public sentiment. Slavery, in this sense, was good in the early days of subordination, when such was inevitable, and when absolute leadership and domination were necessities. Again, each society has some main characteristic, as, in the family period, the consciousness of the family life, which unifies other elements, and which consequently must be the chief thing expressed in the social organization. Our use of the term "constitution" for the outward form of government admirably illustrates this point.

§ 3. Secondly, the social life or society is shown to be threefold in nature. With the origin of the social impulse, that is with the ultimate question of ethics, their utilitarian or intuitional basis, Rodbertus does not deal specially or at length; and, indeed, most of his reasoning can be accepted by the disciples of either creed. His general recognition of the intuitional theory goes side by side with that of society as being in the true sense a means of self-preservation. No doubt this fundamental question is present to his mind, but it lies behind the point from which his eaching starts. The origin of morals underlies all

life, whereas he starts with society, and begins with an analogy to end in a contrast between individual life and social life. Life, so he writes, is not the result but the actual living combination of three elements, and its unity is that of these three co-existing in one organism. Individual life is the vital union of intellect, will, and actual force; social life that of speech and knowledge, morality and law, and economic organization—and especially the division of labour—these being the social counterparts of the individual attributes. Thus speech and knowledge are the intellect in society, public morality and law the social expression of the will, while economic organization and the division of labour are the aspect which labour bears in society. By this he sought to show that social life, like physical life, was at once complex and simple; it was complex as consisting of different factors; it was simple because these elements are all indispensable, and because they unite into a living unity, conditioning one another. This conception, he adds, must not be treated from a mathematical standpoint. The attributes are three, but a unified three, just as society is not a mere numerical aggregate. Society is an organic entity, and social life a co-ordinated growth with three aspects. No number of isolated people, however large, can form a society; and social life implies all and each of the attributes. So far we follow Rodbertus; but the matter can, perhaps, be stated more simply. Men, when grouped together in a society, stand differently situated with reference to these three aspects. Their position, that is, is changed as regards intellectual growth, moral growth, and economic development. Such growth is at once a feature of society and a matter of grave social moment, for no society can

afford to neglect the means of sound development in each direction. At the same time, it must be remembered that necessary though each element is, and great though the influence which advance in one direction must have upon that in another, development need not, and will not, take place simultaneously and evenly. On the contrary, the reverse is the rule. At one time one, at another time another, side of the social life predominates. There are ages when mental progress is rapid, and the achievements of the intellect crowd the record and claim the period as their own; others are distinguished by powerful moral impulses, which vibrate along the fibres of society; while in others again the most important advance is in the economic sphere. But if the advance is to be stable, a gradual development on all sides is required. Change in one direction does not take place without stirring impulses which will affect the whole attitude of society.

§ 4. Thirdly, society must be viewed as a growth, not as the product but as the growing entity. Just as the social idea underlying the form is the essence of society, just as too the society is not any one of its three aspects, but these combined and living in one substance, so now society is not one phase in the development but the impulse which develops and extends and reveals itself as a tendency in process of fulfilment. The instinct which impels men to combine into societies, at first in small groups, then in larger ones, but always with a constant straining towards extension, is the social principle encountered in history. It is the antithesis of individuality. Both are processes and both are as yet incomplete processes; though, as has already been pointed out, the one is a physical creation, the other the creation of history.

This incompleteness of events by themselves and their place as part of a social evolution is reflected in our judgment of them. Forces and institutions prevailing in a given condition of society must be estimated, as indeed they always have been estimated by historians in after generations, rather in view of their tendencies and of the opportunities they afford for further development than of their immediate expediency.

§ 5. Fourthly, there must be some means of focussing the vague consciousness in a society of its common existence, and of giving it expression. This implies political government, the form of which will depend on many considerations. Amongst these we must notice the stage of development and the administrative capacity of the particular society. But there are others no less important which arise rather out of the historical circumstances under which social development takes place than from any internal needs. The lessons of common social needs and actions are learnt in families, groups, tribes and nations, between which exist external relations and each of which must in its relations to the other be regarded as a separate unit. While within the group social considerations predominate, externally the group, is face to face with other competing and contending groups; and the need of holding its own against these, though no integral part of social progress, is its inevitable concomitant and condition. It makes a compact political government always of first rate importance, and at times of even greater importance than the social relations existing within the group. As a matter of fact whatever the respective weight attached to these two considerations, a nation, as Rodbertus says, usually realizes its unity

first in contradistinction and possibly in opposition to other nations, and only later on in a social sense. This conception so emphasized by List among others is treated by Rodbertus as individualistic and as having in many respects individualistic consequences, which are exemplified on the industrial side in protective systems and tariffs.[1] It is of course of further importance by reason of what it leads to. Here, however, we have to treat it as the cause of active political administration, and thus as largely determining the form of government.

§ 6. Fifthly, social life rests on an economic basis. The instincts of society develop under the pressure of material want, the satisfaction of which is an absolute necessity. Economic arrangements and economic needs play a large share in moulding and directing societies as well as individuals, and at any time their neglect may prove fatal to the continuance of the life of either. It is this which invests them with such importance. With regard to the economic basis, Rodbertus calls attention to two points. In the first place he points out the dangerous results of the incapacity of men to place a high value on anything save material gratifications and often rather low material gratifications. Material wants alone urge a majority of men to work, and but for their gratification many necessary actions would go unperformed. The position is made unmistakably clear by Rodbertus. Certain functions absolutely necessary to the good maintenance of the society are performed by individuals in view of the large private gains offered, whereas they should be undertaken by society as a whole and their profit treated as a common fund. Again there are many who work only under the compulsion of sheer hard material

[1] *Das Kapital* (1884) (Fourth Letter), p. 95.

want, a position more frequent in early than in advanced stages of historical growth. Rodbertus argues that society cannot afford as yet to dispense with these inducements and compulsions. "I do not believe," he cries out, "that society has yet completed its journey through the wilderness." As an economic institution it is very insufficiently developed. Work must be done, and men must be made to work in order that many-sided progress may be maintained.

§ 7. In the next place he calls attention to labour as the essential feature in the economic order of things. It is "the principle of social life and the initial letter of wealth and civilization," and its effective application is and must be the most serious of the economic tasks of a society. Labour is the cost of wealth; an important position, since it leads to the conclusion that when forced out of this connection not only may wealth become a direct evil, but its distribution may follow a wholly wrong course, and lead to headlong disaster and perhaps to ruin. So long, indeed, as wealth depends upon labour, and so long as commodities are the reward of services, individuals cannot appropriate them in wholly unreasonable amounts. So long, too, as wealth does not degenerate into luxury, inequality with its appalling contrasts need not be feared. It is of course true that in an advanced and active society the product of a given amount of toil will be much greater than in one more backward, or where apathy has lulled industrial energy to sleep, but that does not disprove the above assertion. Commodities will still be won at a duly proportional cost and exertion will still be the inevitable avenue to attainment. Moreover poverty and riches are largely comparative, they exist with reference to the general

level of the community. "Poverty is a social, that is a relative, matter. It consists in the inability of anyone to supply himself with the requisites needed in his own station of life; and as the wants of the working class increase with its rise in general social standing, poverty may be said to increase, even though the actual amount of income remains the same."[1] Further, a new conception may be substituted for the former view of self-denial as necessarily a virtue. The old conception, according to which self-denial was a virtue, is incorrect and must be abandoned. "Enjoyment and satisfaction, so long as their connection with labour is more definitely emphasized than was possible under a slave system, are neither a burden on society nor a menace. Imperfect though this connection be at the present, it is at any rate too well established for a society to come to ruin by reason of luxury and enjoyment. On the contrary it is now obvious that social progress is closely bound up with material advance, which is one of the aspects of the general improvement. Truly interpreted it means the subjugation of external nature by man."

§ 8. Sixthly, the varied character of the social life, the need of constant advance, and the accomplishment of this in the face of difficulties external to each social group and of grave economic hardships, lead to such conflict and complexity of conditions as render compromise the inevitable path of progress. Society develops in history and "history is compromise." The cost of progress in one direction is oftentimes want of progress in another. Development has to be purchased and the purchase money must be paid. Thus inequality in wealth is to Rodbertus the

[1] *Zur. Bel.*, ii. 172; Cf. *Zur. Erk.*, 39.

price which society pays for being educated to care for culture as distinct from material ends. Very few in the past, and probably not many in the present estimate the means of culture as sufficient reward for their own toil. In this respect rich and poor are at bottom alike, only the rich *seem* to value culture because an unequal distribution of wealth enables them to participate in it without toil or trouble on their own part. Their position, in other words, is very much that of unmusical people who often will take tickets for a concert if only there is nothing to pay for them. So the aims at any rate professed by one part of the nation extend far beyond those of mere material welfare. A further instance of the need of compromise occurs in the argument that monarchy or some form of monarchical government, though not necessarily the ideal method, is the one whereby sound social administration can be most effectively attained at present.

§ 9. The foregoing conclusions, or at least some of them, are forcibly summed up in the definitions given of society and the state. Both of these have two meanings. In the first instance society is the growing union of individuals in history, widening its range in successive periods, and always increasing in strength. This organic growth extends over the three great fields of intellect, will, and material force, and after those early ages called inorganic, when men lived in proximity without community of feeling or institution, it continues its course through three periods, the family or tribal period, the state period, and the period of co-ordinated humanity. Consistently with this view, the state is represented as society itself in a particular phase or period of evolution, as, in

fact, the social growth in the form of the nation. On the other hand, at any given time, the state may be interpreted as the central dominant activity in the social body, that is, as the administrative power; in which case society is the sum of the individual activities in the same body, existing outside the sphere of state activity.

§ 10. There are some points so closely connected with the foregoing arguments and of such interest as to require some notice here, despite their lack of definite treatment by Rodbertus. Of these one relates to certain consequences of the course of social development, the other to the connection and mutual effects of individual and national morality.

The dangers which menace societies both in their early and advanced stages are three—external conflict, economic want, and internal discord, and as society in the larger and first sense in which it is defined by Rodbertus, must pass through a sectional and restricted realization, any dangers in this phase are definite dangers to society. The instinct of self-preservation is a social necessity. It finds its expression in the early systems of subordination and lordship with which the historian is familiar, when power and direction are vested in the hands of one man or one class; a simple form of this being the *patria potestas* of the Romans. In the train of political power follow social and economic inequality and position, and subordination extends through the whole sphere of life, manifesting itself alike in economic, social, and political relations. There is unequal distribution in all these directions. Inequality in wealth, inequality in position, and inequality in power, co-exist. If we confine ourselves more particularly to social

and economic matters, the institutions in which inequality and subordination are embodied fall into two categories, each appropriate to a particular stage and time, slavery and private ownership of land and capital. In both, those who direct are separate from those who are directed, and in both, and, according to Rodbertus, owing to both, there is great inequality of wealth. One class of people, a small class, possesses some wealth which it has not itself produced, but which it receives as a species of tribute. On the other hand, another class, the large class, is not absolute owner of its own products, of the work of its own hands. On this point exact agreement with the whole contention of Rodbertus is not necessary to the general appreciation of his main argument. Probably all will agree to the statement so far as slavery and serfdom are concerned, and most men as to its applicability to the earlier stages of our present system of individual production, when the larger mass of the population had but recently emerged from the position of serfs. Certain indirect consequences of these conditions require emphasis. In the first place, the gratification of the higher tastes in art, literature, and culture, is rendered possible and secured. In the second place, the labourer has been precluded from regarding his products as entirely and indivisibly his, and so remains unbiassed in thought and habit against the arrangement necessary at a time when the complexity of industrial operations does not allow any product to be the work of a single man, and when the direction of industry falls into the hands of the state, which requires a revenue for the purpose. He can demand the value of his work, that is, a share proportioned to his work as compared with

that of others; and part of what is due to him will be received in the form of state direction and services, and only part in that of commodities. These two results lead to the emphatic description of the course of social growth as teleological.

§ 11. The constant difference between the standard of conduct in individual and in international affairs is one of the great difficulties of political theory, and often of political practice. Men learn their lesson of fellowship very slowly, and always within ascertained bounds, beyond which fraternal yearnings are at best fitful and weak; and so there are present at one and the same time widely different tendencies of social union and individualistic competition. Within the group, whatever that may be, there is a sense of common interest accompanied by common action, tempered, indeed, by the struggle of individuals for their own ends. Outside we have the various groups in a welter of strenuous competition for survival, tempered, it is true, by vague assertions of a common humanity. With matters in this condition, it is not surprising that a difference of standard should exist as to the rights and duties between the various members. In illustration and support of this position can be cited Rodbertus' theory as to the development of law in a society from the parental command in the family group. Again, a nation or a society, as he finely puts it, dictates its own internal measures for development, choosing its path and selecting for encouragement the tendencies which will preserve it within the desired course, but it does so by right of its organic nature; while the struggle or rivalry between various nations or societies is between entities, which so far as their mutual relations go are inorganic. The instinct of self-

preservation is working under very different conditions in the case of individuals whose existence is more or less of a care to their fellows and to the corporate state of which they form a part, and in the case of states or nations in a turmoil of competition. However true it be that there is some sense of international right, the bonds within the nations, and so, too, rights and duties are more closely knit and therefore more potent than those without.

Further speculation as to the development of this mingled analogy and contrast between individual and state, though full of interest, is too far from the immediate purpose, and too little touched on by Rodbertus to justify its pursuit. Yet one consideration presents itself. Individuals far in advance of their age stand forth the martyrs of their causes. Some have been the martyrs of history, others are the undistinguished and unknown martyrs of daily life; some have been conscious of their cause and eager for the sacrifice, others are unconscious and probably would be very unwilling, were the choice theirs. They perish or fail of apparent success, because the keynote of their life is too much out of harmony with their environment. Can it be that the same may hold good with family groups, with tribes, and with nations; that too great devotion to social perfection and equity within the society may distract attention from the need for external preservation and sap the requisite means for securing it?

CHAPTER IV.

THE MODERN STATE.

§ 1. *The State or National period involves the fresh extension of social consciousness.* § 2. *This first approached by the recognition of nationality as against other nations. Many difficulties of fact in the way of a true social unity.* § 3. *Means of removing these or many of these, afforded by the Division of Labour. The Modern State based on the Division of Labour. Four results* § 4. *Firstly, difference between members of a society and isolated individuals.* § 5. *Secondly, workers in society cannot own the product of their labour.* § 6. *Thirdly, growth of national wants and means.* § 7. *Fourthly, general importance of Division of Labour.* § 8. *Despite opportunities, the fuller unity of the state remains unattained. This not due initially to individualistic theories or the laissez-faire state.* § 9. *Private ownership of land and capital declared to be the obstacle.*

§ 1. With the passage of society into the period of state or national development, the process of realizing in practice, habit, and thought the conceptions of social life had to be repeated, and this time in a sphere much larger than the tribe or family and with infinitely greater possibilities. Common feeling, common interest, and common action, which had come to be understood, by reason of custom, so far as these smaller groups were concerned, became the difficult task of a more extensive body, which through them and in them

had to rise to a new consciousness of itself as something more than a mere aggregate of its individual members. It was a difficult task, and the more difficult because some degree of conscious recognition of unity was necessary to its attainment.

§ 2. In one sense the recognition of national existence took place at a comparatively early stage, but that was of the state mainly in its external relations as existing amidst other states, and usually in antagonism to them. This conception, as we have already seen, is stigmatized as individualistic and as having individualistic consequences. Only in one way was it socially valuable; because, that is, it opened the way for national action and national unity, and with their extension we have the nation in its political organization. But consciousness of unity on other sides was long lacking. Not till after the assertion of the rights of *all* individuals by the philosophy of the eighteenth century and still more effectually by the French Revolution, was a complete view of the state in its economic aspect with common economic attributes and interests possible. Till then the only economic realization had been that of a fiscal unity. The same was true in other social directions. The appearance of social unity in many early states was largely due to the recognition by the central government of various social groups, families, or localities, for administrative purposes.

Many difficulties stood in the way of a full recognition of a social and economic unity; difference of custom, geographical distance, magnitude, and many other features were potent, but amongst them, and of no little force, was the very cohesion of the many smaller groups already in existence. It is true that these conserved the social sentiment. It is no less

true that the causes which necessitated their existence obstructed its further development.

§ 3. The great economic and so the great social feature of the modern state is the division of labour, which at one and the same time destroys the basis of social unity in the smaller groups and makes possible its development on a large and national scale. It has a destructive as well as a constructive side. It is destructive because in view of the changes it has introduced and is introducing, old regulations have become obstacles to production, and because, further, the rapidity of invention renders injurious that minute control over the mode of production, which was once both necessary and helpful. It is constructive because it brings far off districts into contact, and makes it not only possible, but most advantageous, for those who want goods to obtain them from distant places of manufacture. The delocalization of demand is the opportunity for a system of national unity in production. So great has been the progress made in this direction of recent years, and so marvellous is the consequent development that it may be regarded as a novel feature in the social growth. A state based on the division of labour holds a fresh and distinctive position with regard to common actions and common needs; through its operation and the consequent allocation to individual of different social tasks, the state has been welded into an indivisible whole, in which production depends on the due and exact performance of their separate functions by the various members. The intricacy and the interdependence of modern organization, however, require no further exposition.

Not so its consequences, since owing to these an

actual social unity becomes not only possible but necessary.

§ 4. In the first place, industrial unity affects the nature of individual labour. Individuals working in society, for society, and with society, differ both as to kind of employment and productivity from what they would be were they outside all society, and were there no such division of labour. Their efforts are conditioned by existing industrial circumstances. In this respect, as otherwise, the state is logically prior to the individual; and as we conceive of social man as in society and under social conditions, so in his working garb he is part of an industrial society and dependent upon its economic basis.

§ 5. In the second place, we see that so long as division of labour continues, and with it the present form of society, those who work can have no absolute right to the identical products of their labour. The total product of the labour of society belongs to society as a whole, and all that the individual can claim is a private share proportioned to his services as compared with those of his fellows in what remains over after the state needs have been met. "The division of labour, and with it the whole glorious fabric of civilization, is built on the waste left by the decay of that state of things in which the direct material product of labour passes to the labourer," and the revival of this discarded principle would involve its destruction. "No; land, capital, and product of labour, can never belong to the labourer, just as they never have belonged to him since labour first became the subject of division. Before that, if it be possible to speak of 'right' and 'property' before this period, the actual product may have been the labourer's

individual property."[1] To Rodbertus this position was not only unassailable, but of fundamental importance for the future of society. Thus he speaks of its providential fitness and its teleological character. "I shall, I believe, make it clear beyond all doubt that if society is to attain to sound conceptions and institutions as regards property, the labourer must never be the owner of land and capital, or even of the product of his own labour. This holds good for all societies organized on the basis of the division of labour, and division of labour, be it remembered, is the indispensable foundation of progress and culture."[2]

§ 6. In the third place, side by side with individual needs, individual production, and individual income, are ranged national needs, national production, and national income; and these latter are as different from the mere sum of individual needs and the like as is a society organized through the division of labour from a mere aggregate of contiguous industrial units.[3] The sum of the wants of all the separate individuals forms nothing but a bare aggregate of individual wants. Social needs are something more and something other, and the same may be said of social production and social income. Social conceptions, accurately considered, partake of the, so to speak, communistic elements introduced by the division of labour, and such necessary communism exists to a much larger extent than many are wont to admit. If we take needs, for instance, the distinctively individual needs are in a diminishing ratio to those which are social. These latter, indeed, are an increasing proportion of the total needs of a society and its members. They include, besides the wants of the central state, those experienced

[1] *Zur Bel.*, i. (Third Letter) 130-1. [2] *Ibid.*, 130. [3] *Kapital*, 90.

by municipal and other local bodies, and even a large proportion of those felt by the family—all needs, that is, which have a social element, or are common to a larger or smaller number existing as a body, and which must be supplied by common and combined efforts.

§ 7. In the last place, and mainly in consequence of the foregoing considerations, Rodbertus emphatically declares the division of labour to be the basis of modern civilization. It is the inseparable condition of progress, the foundation on which all culture ultimately rests; without it, society would remain in bondage to hard material want, whilst only by its aid can it advance and unfold its activities. Those who, like him, understand the fundamental importance of economic organization to social growth as a whole, will with him realize the actual peril of schemes which seek to remedy defects in such organization by its partial or entire abandonment.

§ 8. Such considerations indicate very clearly the fresh opportunities presented in modern states for a powerful realization of national social unity. And yet, in apparent contradiction to this view, not only has the change to which they relate been accompanied by a sudden development of competitive and individualistic feeling but some permanent obstacle seems to stand in the way of this realization. Of the first, that is, the outbreak of individualistic forces, Rodbertus makes small account. That is, as already said,[1] a necessary characteristic of a time of transition and one to be expected in a marked degree at a time of such conspicuous change, and its intensity is little more than a measure of the vast destruction of old forms and obsolete laws, lying athwart the path of progress. The

[1] pp. 45, 46.

laissez faire state, too, object of vehement attack though it has been, is in the eyes of Rodbertus an institution of great utility. It serves to bridge over the intervening turmoil between the downfall of one social system and the satisfactory inauguration of another, and by preserving the political being of the state, keeps the way open for a better and more enduring system. None the less is it a mistake to take it for part of the permanent order of things, for it has no elements of permanence, and, as he complains, this mistake has been committed by many. It is, however, a necessary and useful device or expedient till such time as social and political forces come into a position of more stable equilibrium. Neither individualism nor its administrative counterpart, the *laissez faire* conception of government, is the real obstacle to a true recognition of society. That lies in no new force or novel influence but in an old institution, once of great service, but now, with its uses exhausted, a source of danger and a barrier to healthy progress.

§ 9. Let us re-capitulate. Association in the mechanism of production, is the occasion, the opportunity, and the necessity, for a conscious and deeper association. It is the inevitable entrance to the inevitable avenue through which society must pass in its onward march. But advance is stayed in the entrance, the occasion is present without the event, the consequence has not followed upon the opportunity, and the arrest of development is attributed to the continued existence of private property in land and capital—to the undue survival of a form of property which at one time was admittedly a necessary part of a necessary system. Further, it is the possession of land and capital by private persons, not their possession by a particular class of private

persons, that is arraigned. Two conceptions present themselves. One, that of the state, a particular phase of society, which after much struggle has passed by means of the division of labour beyond the mechanical obstacles to a full realization of its corporate existence. The other, that of the resistance offered to its course, by an institution, private property in land and capital. To this latter, and its relation to the modern state, the difficulties it occasions and the dangers it threatens, let us turn with Rodbertus. The present condition of the modern state must be investigated in the light of the principles deduced from the study of the course of social development; in connection, that is, firstly, with the essential nature of society, secondly, with its political development, and thirdly, with its economic organization.

CHAPTER V.

THE MODERN STATE AND SOCIAL PRINCIPLES.

§ 1. *The modern state examined in the light of the principles relating to the essential nature of society.* § 2. *Deficiences in this respect due to private ownership of land and capital.* § 3. *Further examined with reference to administrative organization.* § 4. *Material need for a restrictive system no longer exists.* § 5. *Extension of political freedom takes place.* § 6. *No corresponding change in the social and economic sphere where private ownership rules. Grave dangers.* § 7. *Further examined with reference to economic basis. Here interference of like private ownership with development of very obvious special features.* § 8. *Pauperism, its nature, growth, and relation, to the same cause.* § 9. *Commercial crises, how they are brought about. Over-production.* § 10. *The same cause at the root. Particular views taken of over-production. Conclusion summarized.*

§ 1. If the principles established by a survey of social history be looked at, it will be seen that they refer to three main subjects, the essential nature of society, its political organization, and its economic system; and accordingly it is with reference to these that the condition of the modern state must be examined.

The essential nature of society is dealt with in the first three principles according to which it is a conscious organism threefold in nature and capable of sure and stable growth. There are in fact three things necessary to such conception, conscious recognition,

harmony in the three-fold development, and care for the future. But these attributes are largely and conspicuously lacking in the existing modern state. In the case of the first, in place of a common recognition, for instance, of the great task laid upon society of economic provision for its wants, a recognition which would correspond to the close interdependence forced upon men by the division of labour and its organization, there is a state of anarchical competition. Individuals guide and control production without knowledge of the efforts of others, and without care for the satisfaction of the wants of their fellows, save in so far as failure would affect their own gains. Anarchy and production for private profits are the features of the present condition of things. So important, too, is industry that disregard of economic unity involves an imperfect realization of social unity. Further, the whole relationship which should regulate the intellectual, moral ,and economic elements of society is fatally disturbed by this irregularity in the last mentioned. A state which does not direct and control its present action cannot pay due attention to its own development in the future by selecting for encouragement those forces which tend most in the direction of good.

§ 2. The cause of this want of social principle is simple. It lies in the substitution of individuals for the state. Functions which are social functions and which should be performed by society are in the hands of individuals who act in strict accordance with individual motives, and so in place of social ordering and direction of production, all the direction that there is, lies in the blind and expensive workings of competition ; a condition of things due to the existence of private property in land and capital. Those

who own land and capital, own the instruments of production and in the long run direct the industrial mechanism; they can dictate their own terms. But they hold this position at a grave social risk, and the continued postponement of the time when the state shall seat itself on its rightful throne aggravates the danger. There is a general absence of stability, for the lack of conscious unity in economic organization brings with it a like want in other spheres. Society must realize itself.

§ 3. When we turn to the administrative organization, the want of economic community about which so much has been said bears a somewhat different aspect. In connection with the political development, indeed, its circumstances as well as it itself are of importance, for we have to consider the relations which exist between the political, the social, and economic organizations. Rodbertus contends that in a sound state of things, these are necessarily related, forming the three strands in the cord which holds people and classes in their respective places.

§ 4. Now history teaches us that, save where the government has fallen into the hands of wholly irresponsible despots as in the East,[1] there are two types of state organization, that of external control and coercion by one part of society over the other and that of a control existing in the corporate will of the society as a whole. Each of these has distinctive features and distinctive institutions. Authority, loyalty, and obedience, requisite to the one, are replaced in the other by self-direction and consideration for others. In the one, coercion embodies itself in a variety of institutions and regulations; in the other, educational

[1] *Zur Bel.*, ii. (First Letter) 179-180. Cf. *Die Foderungen*, 201.

and other similar influences persuade and restrain. Between system, ethical character, and institutions, a close correspondence must exist, for, as Rodbertus says, it is folly to imagine that one system can be maintained by means appropriate to another. In early states, the system adopted was coercive in character, and great though its hardships and difficulties were, they carried with them compensating benefits. Coercion and discipline ruled in every sphere of life, and their sway was necessary and suited to the times. The necessity and homogeneity of the system were conspicuous. In the political sphere, external pressure, the need of leadership, and the need, too, of discipline made political subordination the basis of self-preservation; so, too, though less obviously, in the social and economic sphere. "At one time it was necessary to restrict the income of the working class to that which was absolutely needed to maintain life, at the time that is, when production was not sufficient to supply all classes with something more than a bare subsistence."[1] Some class had to be sacrificed for the welfare of the whole, but even this was better than the lack of incentive to advance in the direction of civilization. "Under such conditions, the one social system suited to the circumstances was that of subordination and coercion. When men have no instruments but handmills, slavery is their necessary lot. Without it, the mission of Antiquity had gone unfulfilled."[2] The same is true if we view the matter from another side. The one inducement of labour that was effectively understood in these early times was sheer hard material want, for moderate satisfaction meant the cessation of toil and the arrest of progress.[3] So the scourge of hunger had to whistle in

[1] *Zur Bel.*, ii. 207. [2] *Ibid.* [3] Cf. *Letters of Ricardo to Malthus*, p. 138.

the ears of the community, and it did its work. In all the states which endured and emerged from the chaos of international conflict and the grim struggle with nature, a class is to be found placed above material cares, a class which lives, as it were, on the labour of others, but the preservation of which is essential in the best interests of the state itself.

But now the whole conditions of society are changed. With the industrial triumph of man over nature, the powers of production have received so great an access of strength that not one class alone, but all can receive abundance. "In early times production was closely restricted by the means already in existence, for its main factor was human labour, and that is very definitely limited; whereas now it no longer depends on instruments present to the hand, but on the means of making these, and the wood and the iron required in the manufacture of machinery are as good as unlimited."[1] And yet wood and iron, land and ability, are unexhausted, and the labourers hunger. This much is certain; want of comfort is due no longer to mechanical defects in productive mechanism, but to legal and economic institutions which require readjustment.

§ 5. If we turn, on the other hand, to the purely political sphere, it is evident that the early system of subordination is fast passing away. There is but one answer to the enquiry as to which system is best adapted to present circumstances, and that is already written in history and recorded in changes already accomplished. "The working population possesses personal freedom, possesses equal and full rights and duties, and is on the road to attain equal political

[1] *Zur Bel.*, ii. 208.

power and privilege."[1] This marks a departure from the idea underlying the system of early times, when subordination meant subordination on all sides, and when political, economic, and social servitude were three like parts in one order. "Things have changed since; for in ancient times the larger part of the people was outside the state as strangers and slaves, the state consisting of the few. Things have changed since; for, in the middle ages there was an elaborate organization of classes graduated and imposed, the one above the other, each with special rights and duties. In the place of these, society, in political conditions at least, is now one indivisible union of citizens with equal rights."[2]

§ 6. And yet further, there is no longer any choice of system open; the choice is already made, and retrogression is impossible; "the working class cannot be forced back into its former servitude."[3] Society has burnt its ships, and the one course open to it lies in further advance. Industrial conditions have changed for the better. Legal and political institutions have developed in the direction of freedom, and the complementary changes required on the economic side must be made. Attempts to allay the evil and postpone radical change, as, for instance, by guilds and similar associations, are useless. Such measures are out of date. Guilds were groups of skilled workmen animated throughout by artistic pride in their work and united by skill, but the introduction of the factory has altered the whole condition of industry: the craftsman has become the artisan, and skill is no longer so personal as it was.[4] Delay, too, is dangerous. "There

[1] *Zur Bel.*, ii. (First Letter) 177. [2] *Ibid.*, 178.
[3] *Ibid.*, ii. (*Die Ford.*) 205. [4] *Ibid.*, ii. (*Die Ford.*) 204.

is no room for deception: within the ranks of society are hordes, barbarian in instinct and in their lack of moral development. From the depth of poverty they crave, with the ungovernable temper of barbarians, for the comforts and culture possessed by others. They are convinced of their right to share in them. Moreover, they have learnt to fight; they have been taught their power by those against whom they now clamour. Society is threatened by a new and dangerous movement, bursting out of the very lap of civilization. True enough that cannon and police have been successfully employed in many previous risings, but then this very barbarian horde was used as a weapon against the lower middle class. In the present economic struggle they would be called upon to fight against themselves and their own interests. Let us not forget that the barbarians who sacked Rome had served in the Roman armies."

§ 7. On the economic side, to take the third and last of the instances in which our modern states stand in momentous contrast to sound principle, a connection between labour and income should exist; then, with the growth of productive capacity, individuals could choose between leisure or the more complete satisfaction of their wants.[2] That private property in land and capital—the conditions of production—should weaken this connection is almost too obvious in Rodbertus' view to require description, yet there is one particular way in which its effects are at once so peculiar and so powerful as to form what is almost a separate cause, and what is certainly a special aggravation of difficulties already in existence. Not only is such property a source of inequality, but, given existing competitive

[1] *Zur Bel.*, ii. 182. [2] *Ibid.*, i. (Second Letter) 75, 76.

conditions, it is a source of increasing inequality. Thus Rodbertus writes that, if competition be left to itself, and permitted to determine the division of the national produce, certain circumstances involved in our present development will make the wages of the labouring class an ever smaller proportion of the total at the very time when the labour of the community is becoming more productive.[1] The greater the progress the smaller the share, while all the time labour itself is forced more and more into the position of a commodity. This proposition must be examined in another place; for the present let us assume its truth and investigate its consequences.

These will be best seen if we follow Rodbertus in his examination of the two great symptoms of economic evil at the present time—pauperism and commercial crises.

§ 8. Pauperism (*Pauperismus*), to take that first, is something other than the absolute insufficiency of means to sustain life. As a social, that is a relative, term, it implies the inability of a man to satisfy the ordinary needs common to members of his class;[2] so it varies from place to place and from time to time; but when this is so, it is very evident that the restriction of the income of the working class to one unchanging level, while the income of other classes is increasing, and when its own political and social position is changing for the better, implies an increase in poverty. Poverty and pauperism then are used in a comparative sense,[3] and refer to an inadequacy of means to standard, poverty being the temporary and pauperism the more chronic form. Given the conditions stated above, they

[1] *Zur Bel.*, i. (Second Letter) 37. [2] *Ibid.*, ii. 172.
[3] *Ibid.*; cf. *Zur Erkenntniss*, 39.

constitute an augmenting burden on society. Not only so, but pauperism in its present shape is an unique phenomenon in history; for the circumstances which allow of its growth only came into existence when, amid the shattered frame-work of mediaeval society, competition and private property in land and capital began to determine the division of wealth. Of course, there have been periods when the whole mass of society has been less well supplied; or, again, when particular classes have suffered under grievous temporary wants; but neither of these is our present lot. The feature of the present is the increasing poverty (*Pauperismus*) of the majority in contrast to steadily augmenting national wealth.

§ 9. The argument as to Commercial Crises is more complicated. Starting from the same premises as in the examination of the other economic symptom of social disorder, we see that, instead of income and labour maintaining a proportionate relationship, the greater the efficiency of the latter, the less its share in the total product—less, that is, proportionately to the total, and not less absolutely or measured in commodities. Put in another way, it might be said that the power of buying vested in the labour class (*Kaufkraft*) diverges continuously from the power of production. The more there is to divide, the less the share of labour and the greater the share allotted to those who own capital and land. So every increase in the total income due to greater efficiency and power is accompanied by an abnormal and disproportionate, as well as by a normal, increase in the demand made for commodities by the class in possession, and by a like decrease in the demand for other commodities by the working class. As these classes direct their con-

sumption in the main to different groups of commodities, the result of such constant disturbance is a recurrent and constant production of commodities in wrong amounts. In a community intricately organized like the present, the forces devoted to the future production are, broadly speaking, applied to the production of different things, on the assumption that the various groups will be wanted in their old proportions,—that, for instance, the things wanted by the working class will require the same portion of the productive power of the country, and likewise with the things wanted by the other classes. Past experience is the sole guide of those who direct and control the labours of the community—the undertakers; and, owing to the circumstances dwelt on above, past experience misleads them. Continuous over-production of one group of commodities occurs, with consequences which, on any aggravation from special causes, swell into crises and commercial disasters. The source of this over-production, as some term it—a continuous misproduction in the words of others—is not inequality in income, but *increasing* inequality;[1] and the cause of this increase and alteration is the power of private ownership in land and capital to augment its own share at the expense of that of others. This is one phase of over-production in the pages of Rodbertus. It would not occur if the share of each class were a fixed and unalterable proportion of the total products.[2]

A second phase or aspect is portrayed as accompanying the foregoing. In answer to the criticism that over-production in general can only take place when the demand for the various commodities is satisfied—when, in fact, it would be no serious evil, and would but

[1] *Kapital*, 56-58. [2] *Zur Bel.*, i. 76.

prove that general production was proceeding after the withdrawal of a motive for its continuance—Rodbertus admits the correctness of the position thus taken up in two out of the three sets of conditions which might exist. It is true when each man receives his own product, and is thus the master of his own toil; or, again, when the share of each class in the total income is unalterably fixed, since in both these cases men will continue to produce only when they desire the product. But neither of these conditions hold good at the present time, when increasing productivity is accompanied by an increase not only in the actual amount of goods, but in the proportion of the total goods falling to a small class of the community; not only do they get more goods owing to the greater productivity, but they get a larger share of this increase. This accrues to them in the absence, as it were, of any volition on their part, and in continuous excess of all reasonable expectation. It is theirs because they permit others to do what they do not do themselves, a permission which costs nothing.

§ 10. In the combination of these two phases over-production is delineated as it was viewed by Rodbertus. The first shows the continuous superabundance of goods corresponding to the wants of the large mass of mankind, who by their inevitable lot are always being deprived of their due power of purchase (*Kaufkraft*) at the very time when productive efficiency is increasing. That power or right of purchase passes over to the minority or owning class, who receive it in addition to that which is theirs according to right proportion. Goods fitted to their wants are lacking if they demand them. Further, owing to this continual alteration in the sharing of the total product, purchasing power is

always accruing to this class in excess of that which would be its according to former laws of distribution, and which serves as its necessary incentive or stimulus. One class of the progressive community—and it is of progressive societies that Rodbertus treats—is devoid of the purchasing power, which would be proportionate to its reasonable wants on the precedent of the past, for the wants of a class increase with the development of the community; while all the time goods which answer to these requirements, and which should be covered by purchasing power, are produced. On the other hand, the other class receives purchasing power or rights in excess of its reasonable rights; moreover, as corresponding goods are lacking, these two currents coalesce into a latent cause of mischief, ever present and only requiring some slight additional increase to develop into an active evil. Failure and bankruptcy stare in the face the makers of commodities which are not covered by purchasing power.

This conception must be distinguished from most of the forms which *over-production* has assumed in its tortuous flight before criticism, inasmuch as it depends on an active and continuous alteration in the distribution of the social income; nor can it be fairly responded that any increase in efficiency, if progressive enough, would be liable to produce like effects. At any rate, the reply is not pertinent in the case of Rodbertus. In his case there are two points too important to be omitted. He does not deny that adjustment would take place if conditions were less transient and society statical. Still more important is his uniform assumption that the wants and desires of all members of a society are relative, and mutually determined; that the various classes of a progressive

community will develop new needs and new demands in proportion as social progress takes place. Equable development implies harmony between want, power of purchase, and commodities; but there can be no equable development when, in the very course of progress, the shares allotted to various classes undergo perpetual change.

Such are the economic symptoms of a system like the present under the domination of natural laws together with private property in land and capital. The large mass of the people are in want, and those who are rich are threatened with bankruptcy.

Private property has bound a threefold curse upon the modern state. The social idea is weakened, institutions are out of harmony, and want and economic peril threaten it.

CHAPTER VI.

PRIVATE PROPERTY IN LAND AND CAPITAL.

§ 1. *Private property in land and capital.* § 2. *Its historical nature and necessity.* § 3. *Its bad effects due to it mainly as a survival, and so an incongruity.* § 4. *Why it cannot be abolished at once.* § 5. *Need of distinction between private property in land and capital and private property in income. Denunciation of communistic equality.*

§ 1. The chief cause of the social evils of the present stands revealed. It is the existence of private ownership in land and capital. Its effects have been analysed, and the disturbing influence they exert gauged, but as yet little attention has been given to the circumstances which have made it so prominent, and so grave a source of disaster and danger. Yet this cannot but be a matter of interest, for it is due to events of divers character, working in connection, that this institution, ancient though it is in history, has become an evil so modern, so pervading, and yet so concealed as to require searching analysis.

§ 2. Such private property, or rather its visible recognition—rent—is, in Rodbertus' picturesque phrase, "the last historical trace of lordship." It characterizes the second of the two great epochs of subordination, the first being marked by slavery. To private ownership of people, or personal servitude,

succeeds private ownership of the conditions of living, or economic servitude. Both are social phases, to use Marx' term adopted with approval by Rodbertus, and both must give way in the course of human progress. But their final development is widely different—personal property in others gives way to individual freedom and the right of self-disposal, while personal property in the conditions of production must be superseded by their nationalization or rather socialization—the man must be free, the opportunity free to all society. And yet in their season they formed part of a system historically justified, because historically necessary. With the necessity vanishes the justification. From slavery society wrested itself free, though only after a long struggle, fraught with disaster to several nations; but private property in land and capital—that is, in the opportunities for, and the conditions of, effective production—remains. As a social institution and in its effects it differs in two respects from what it was in the past. Then it was a necessary and fit part of a general system in which the leading principle was the rule of the superior over the inferior. The head of the family was the owner of land, capital, service, and all, and the work of the family group proceeded in accordance with his commands. Direction and control were concentrated in the hands of the more able, and a class was enabled to enjoy luxuries in one age which were to become the necessaries of another. Moreover, as long as the unit was the family, such private ownership, which was a family matter, was not altogether an individualistic influence. Family ties are embodied in natural and physical conditions, and the interests of the family are inevitably associated with those of the

head whose property in land and capital thus becomes a mark and even a bond of community. Hence the various members of the group possess little or no property, and certainly no property in land and important capital apart from the head. Such purely individual property is a feature of present rather than past conditions. During the struggle towards the economic unity of the state, family bonds have been loosened; and, in addition to the individualistic aspect which family property in land and capital would wear, a new individualism has arisen.

§ 3. Taken as a present evil, the harm effected or threatened by the institution lies not so much in itself, as in its great incongruity with existing tendencies and surroundings. After long and weary waiting the way for the further realization of the social idea was prepared by the great mechanical invention and the organized division of labour which struck down, in their course, the barriers which had hitherto sundered a nation into local groups; in close accompaniment was a wide extension of political freedom and power. But the entry into the promised land is barred by the continuance, and, according to Rodbertus, the necessary continuance, of private properties in land and capital. Particular consequences are revealed also in connection with competition. Private property was one thing as part of a systematic and paternal tyranny; its aspect in a competitive system is very different. It is the weighting of competition against one class and in favour of another. Without it competition itself would not be what it now is—a battle in which victory is pre-ordained to property as against labour.

§ 4. And yet, as will be seen, Rodbertus deliberately abstains from suggesting its abolition. Men who

own land and capital are still needed to initiate, direct, and control, industry in its many phases of production and exchange. They are, and must be, the social leaders in the economic sphere till such time as others more rationally chosen can be substituted. A society which can do without them must be strong, as our society is not strong; conscious of itself, as our society is not conscious; and capable of higher aims, as our society is not capable—then, and only then, can it dispense with these present industrial guides; till then it must keep them, and it must pay them. Indispensable, however, to society as society they are not, whatever be their position owing to the failure of society to be rightly and fully social; and many mistakes in economic teaching and conclusions arise from their indispensability being rashly taken for granted.

§ 5. The condemnation thus pronounced, long deferred though its execution may be, is a condemnation not of private property, but of private property in land and capital. Between the two, Rodbertus discriminated keenly and decidedly. Private property in means of consumption is one thing, private property in productive means another. The distinction, indeed, is involved in his position. The inequality he condemned and the equality he urged would alike be impossible under a scheme which, for private property, should substitute an artificial system of distribution; correspondence of labour with income would vanish; personal freedom would be destroyed, because personality would be restricted in its development. In one passage he writes, "The conscious instinct of the people negatives the communism of equality in every respect."[1]

[1] *Kapital*, p. 96.

After which he defines true equality as equality of rights and opportunities. Again, "inequality in income is based on fundamental necessities, and is essential."

Private property in land and capital has been shown to be an alien, and so a disturbing element in our present social condition. It must be examined in connection with the fundamental conceptions which underlie economic motive and direct economic processes.

PART II

FUNDAMENTAL ECONOMIC CONCEPTIONS.

CHAPTER I.

VALUE.

§ 1. *Value according to labour-cost means* § 2. *Firstly, that only those things possess value which cost labour.* § 3. *Secondly, that they are, so far as they have value, the product of labour alone.* § 4. *Thirdly, that their value depends only on the labour involved in specific production.* § 5. *This general conception of value to be regarded as a conception, not as a representation of existing fact.* § 6. *Differential rent taken into account.* § 7. *But labour-cost value cannot be realized in a society where private property in land and capital exists.* § 8. *Where labour itself is treated as a commodity, surplus value.* § 9. *Difference in a socially organized community.* § 10. *Particular interpretation of labour.* § 11. *The main contention of Rodbertus restated and criticised.* § 12. *Particular points of difficulty.* § 13. *Importance of theory of capital to such a conception of value.*

§ 1. In discussing value or the nature of things as commodities or economic goods, the fundamental consideration is their relation to the economic forces of society.

Economic goods, as defined by Rodbertus, that is, all things so far as they partake of the nature of an economic good or commodity—are the product of labour; or, to express the matter from the other side, only labour is productive. This proposition, however, must not be taken as asserting that, as things stand now, the value of commodities is always equal to their

cost in labour, or, in other words, that labour is at the present time a necessary measure of value. The theory of value as conditioned by labour is an economic conception, and not an economic fact. Again, it is not asserted that labour is productive of matter or material. The main proposition, which is fundamental in the theories of Rodbertus, has three aspects.

§ 2. In the first place, it implies that only those articles belong to the economic sphere which have cost labour, and the production of which has been attended by toil, small though this may have been in amount. All other articles, however necessary or useful, are *natural* commodities and lie outside the economic system. An economic system exists in human society, because, while its wants repeat themselves and increase, there is no definite connection, so far as nature is concerned, either as to quantity or quality, between these and the means whereby they can be met; because, to continue the argument, such a connection is provided by labour, and by labour alone, and labour is limited both in force and by time, and is a cost or a restriction on the freedom of man; and, lastly, because society has to *economize* labour like commodities.[1]

§ 3. In the second place, the proposition must be taken as asserting that economic goods are the product of labour, and labour alone. Their economic character or value is derived from labour, and exists only in relation to that labour. The operations of nature, however beneficial, and however much they facilitate the processes of labour, have no effect on their economic character. Goods are economic not only because of the part due to labour, but also in proportion to that part.[2]

[1] *Zur Bel.*, i. (Third Letter) 105. [2] *Ibid.*, 105.

§ 4. In the third place and lastly, goods viewed as economic are the product of that labour alone which is involved in the particular material operations necessary to their production. Under this heading is included both the labour directly expended in the final production of any commodities, and also that involved in previous operations, as in the production of instruments or raw material. The labour which produces grain is that of the man who makes the plough, as well as that of the man who guides it. The labour which produces the particular commodities is, firstly, the immediate labour exerted; and, secondly, a fair proportion of the labour engaged in the production of instruments and other strictly needed preliminaries. Economic goods are the product of no other labour but that thus defined. A judge, for instance, though he renders manifold and distinct services to the economic community and largely assists production, is not himself a producer of economic goods, fully though he deserve his reward from society.[1] To put the matter briefly, "the great general organization of services and social conditions, which is the function and being of society itself, is a far wider conception than the division or organization of labour, which has to do with the production of material economic goods: this latter, though sufficiently large to form the subject of a science by itself, and to admit of separate organization, is only a part of a greater whole. To conclude with an illustration. The coat which any one wears is an economic good only because it costs labour, and only so far as it costs labour, and is the product only of that labour, which has cut and sewn the cloth, spun, woven, and dyed the wool, foddered and bedded the

[1] *Zur Bel.*, 106.

sheep from which the wool has been shorn, produced both the instruments requisite for these various operations and the fodder for the sheep, and, lastly, cultivated the ground on which the fodder has grown. But it is the product of no other labour, whether that be of a kind necessary or advantageous for the social conditions under which alone such labour as the foregoing could be carried on, or be related in any way to the administration of such a society, or be such that it can legally obtain remuneration out of the product."[1] The soundness of this proposition is not impaired by the division of labour, which does nothing but unite labour of different kinds in the work of production so closely that, as a rule, it is impossible to distinguish any particular products as the result of the toil of one individual; nor by a general increase in productivity, the only consequence of which is a rise in general productivity if the increase is universal, or if the increase be restricted to certain conditions or certain land, a rise in the productivity of labour applied under these conditions. Again, it is not affected by the existence of private ownership in land and capital. Labour is still the productive force, though it be exerted in the services of others who appropriate a share of its product. If they themselves work, they are producers, and then a part of their share arises naturally and obviously out of their own labour.

§ 5. The above conception, however open to attack and however faulty, is protected in certain vulnerable quarters. As regards the most assailable point, there is Rodbertus' definite proviso that it is essentially a conception and not a presentation of fact. Thus he states that the theory that the value of commodities

[1] *Zur Bel.* i. (Third Letter), p. 107.

corresponds to their respective cost in labour and depends essentially on the application of such labour in due relation to the needs of society. Clearly the determination of value in terms of labour, as, indeed, "any determination, is impossible so long as there is no guarantee of exact correspondence between national production and national needs and wants."[1] "But such a guarantee is impossible," he adds, "under a system of production conditioned by private ownership of land and capital, for the private undertakers cannot possess the necessary oversight over the wants of the nation."[2] This proviso, which, despite occasional deviations, is the enduring conception held by Rodbertus as to the connection of labour and value, relieves him from the common error often visible in socialistic writings which attaches to labour a power creative of value. According to him, labour is not the cause of value, but in a right constitution of things, when the labour power of the community is correctly and economically applied to the satisfaction of wants in their order, it is the necessary index of value, and it is the basis of the claim to a producer's share in the product. The position of those who perform general social services does not affect this idea. Again, this same proviso meets the argument that such relationship between labour and value is radically disturbed by interest. As this must be paid on all capital alike, and as in each successive stage from raw production to the last process of manufacture the amount of non-immediate labour in capital increases, the value of manufactured commodities will be unduly raised when compared with raw product, and these commodities will be deflected in value from their

[1] *Kapital*, 152 note. [2] *Ibid.*

labour cost.[1] But then, value does not correspond to labour cost at the present time.

§ 6. The objection raised to the correlation between value and labour in view of the widely different conditions under which production must take place, especially where it is that of raw material, is not overlooked by Rodbertus. A differential rent must, he admits, necessarily arise, since less labour is required for a given quantity of product on the more fertile soil, while only one price can prevail in the same market. This difficulty can only be overcome in a truly communistic community where such rent would belong to the entire state, and where in consequence the value of the product could be determined not by the labour involved under the most unfavourable conditions, but by the average labour necessary, this average being computed by comparing the total amount of any commodity produced and the total labour engaged in producing that amount.[2]

§ 7. In a competitive society, with the existing convention of private property such a conception of value is not and cannot be realized. Putting aside the inevitable mistakes made through a false reliance on competition to indicate correctly the things which are wanted, and the consequent misdirection of labour, the difficulties arising from differences in fertility or advantageousness and the existence of interest will inevitably prevent the due estimate of commodities according to their labour cost. In connection with this a particular phenomenon arises. This phenomenon, which must now be described, would occur even if all

[1] *Kapital*, 11-13. This position is inconsistent with the account of rent given in certain other volumes.

[2] *Kapital*, 145-148 ; *Zur Erkenntniss*, 130.

payments made to the owners of land and capital were so exactly proportioned to the labour involved in the production of the respective commodities as to allow of the exchange of these taking place in ratio of labour cost. Such a state of things, if possible, would have no effect, since the matter in question is brought about by the appearance of labour itself in the exchange market.

§ 8. Under any circumstances it is possible to conceive of labour as being given in exchange for a commodity. This is so alike under primitive inorganic conditions, in a state of competition, and in socialized society. In return for it would be received, in the first, the very commodities it produced, and in the last, a share in the total produce duly proportioned to it as compared with the other labour put forth by the producing members of the community. But in modern competitive society it stands in a different position, since under the pressure of competition, and in face of the ownership in private hands of the land and capital necessary for production, the amount given to labour is prevented from rising above the amount necessary to its maintenance. In this way labour itself is treated as a marketable commodity[1] exchanging against its cost of subsistence as other commodities exchange according to their costs of production, and what is called surplus value is exhibited. Surplus value is the difference between that which those who work should receive in exchange for their labour by right of its claim as the sole producing force, and that which they receive when their wages and salaries are measured along the line of subsistence.[2]

[1] *Zur Erklärung und Abhülfe der heutigen Creditnote des Grundbesitzes*, 1893, p. 88.

[2] *Zur Erkenntniss*, 67, 113.

§ 9. Let us next consider the conception of value in a community where labour is recognized as the sole producing force, and where in consequence private property in land and capital would be abolished, competition yielding place to a socialistic organization. The first point to notice is that in no case would labour ever receive its own product, for so long as society rests on the basis of the division of labour the product of labour can never become the private property of the labourer, nor should it. It cannot, because, on the one hand, his product is not ascertainable; on the other, unless interwoven with the labour of others it would lose its worth. It should not, because the first claim on the products is the claim of society for the various services, which Rodbertus puts apart as the services constituted in society. Only after this deduction will labour share in what remains, being rewarded according to its amount ascertained extensively and intensively. As has been said, there is one further condition assumed even in a fully socialized community; that is, that the labour of the community should be applied, not in a haphazard manner, but so as to supply in due order and quantity the requirements of society and its members.[1] In such case, Rodbertus contends, value would be established on its true basis, and would correspond to labour cost.

§ 10. The character of the labour thus serving as the measure or index of value necessitates some few observations. Firstly, it is labour rightly applied, for labour applied to produce the commodities which are not required, or which are less required than others remaining unproduced, cannot be treated on a level with that which does what it should; and, indeed, it

[1] *Kapital*, 137.

is a leading grievance urged by Rodbertus against modern competitive society that it results in much misproduction of this kind. Secondly, however, there occurs the difficulty that labour is of different kinds and exerted in differing degrees of energy and under different conditions of fertility. Here we come on the famous conception, the *Normalarbeitstag*, which plays an important part in the construction of a socially organized economic system, as sketched by Rodbertus. Put briefly, it is a particular social method of equating differences, which now have to be equated by the workings of competition.

§ 11. The main contention involved in this theory of value can be stated in a very few words. It is as follows. After putting on one side the productive powers of nature as non-economic, and the social efforts of the community in maintaining both the social system and the existing conditions of productivity as a work essential to all, but not capable of apportionment among various products, commodities and their respective labour costs should stand in the same ratio of exchange. No doubt in many instances the language of Rodbertus may be taken as pointing to the conclusion that labour is creative of value, but when his distinct assertion of the necessity to such a conception of value of a right relation between labour and want is taken into account, and the general tenor of his statements is remembered, his meaning is clear. Labour, granted his conditions, does stand to exchange value in some causal relationship, because it is applied in order to bring about the production of particular commodities. And when rightly applied, as is assumed, those applying it claim in return a share in the total produce, proportioned to their respective labours or

costs, without any deduction being made beyond the amount retained by the state or the society to meet its social efforts. No payment is to be made for a monopoly of natural conditions.

§ 12. So far there need be no dispute. But a difficult point is involved in the assumption that we can put on one side the efforts requisite to the maintenance of the conditions under which production is carried on, or involved in the administration of the state.[1] The latter class of services, in the main the civil, military, and judicial ordering of the state, presents comparatively little difficulty, but that is not the case with the former. Under this heading, services of two different kinds are included. Firstly, there are the services of those individuals or that power which maintains the connection between the force of the community and its wants, directing and controlling and re-adjusting. This work should be, Rodbertus contends, the work of the state itself, and till it is undertaken by the state, individuals must do it and must be paid. So long as this is so there will be mismanagement and class grievance. Similar grievances ensue from the private performance of the second kind of services, those, that is, required to maintain the condition of productivity. Among these Rodbertus seems to rank capital.

§ 13. The nature, functions, and origin, of capital are matters of the highest importance, and are treated of at great length by Rodbertus. Here they are only noticed in their relation to the subject of value. Capital, though very important in production, does not add, he argues, to the true exchange value of commodities, being in its essence a general social condition of pro-

[1] *Zur. Bel.*, i. (Third Letter), p. 107.

ductivity. It is the necessary opportunity for productive labour. So long as the state does not assume the task of directing production, it must leave the ownership of the conditions of productivity in private hands, and while this takes place the deduction made from the total produce of labour will be in the interests of private individuals and not of the society, and will be determined in amount by conditions of private monopoly and continually increased by depressing the receipts of the class engaged in labour. Owing to these circumstances the actual conditions regulating exchange value will be disturbed.

Obviously the important conclusions attached to the theory of labour as the one productive power and of the sole right of labour to a share in value depend, to a large extent, on the correctness of the propositions laid down as to capital.

CHAPTER II.

DISTRIBUTION—WAGES AND RENT.

1. *Various payments to be viewed as social concepts and in relation to society. Division of income into wages and rent.* § 2. *Particular meaning attached to rent by Rodbertus.* § 3. *Conditions on which the existence of rent depends.* § 4. *Inverse and complementary relations between wages and rent.* § 5. *Rent further subdivided into capital gain and ground rent.* § 6. *How ground rent arises. Relation between total rent and value.* § 7. *Such total rent reckoned as a percentage on capital.* § 8. *Differences in processes of agriculture or extraction and manufacture which lead to ground rent emerging in the former.* § 9. *The argument wider than stated by Rodbertus. This wider application adverse to his theory of ground rent.* § 10. *Further criticism. Mistake as to difference between the two processes.* § 11. *Neglect of the element of time by Rodbertus. Its immense importance.* § 12. *Particular circumstances of his general treatment of ground rent. An attack on application of Ricardian rent by Von Kirchmann* § 13. *Existence of differential rent admitted. Criticism of Ricardian theory of rent.* § 14. *As historically incorrect.* § 15. *Effect of capital outlay in occasioning new fertilities.* § 16. *That there never was a no-rent period.* § 17. *As contradicted by absence of causal relations between density of population, price of grain, and rent.* § 18. *General results of this criticism.* § 19. *Treatment of wages, as tending to diminish, proportionately to the total income.* § 20. *General features of distribution in social aud necessary aspects.*

§ 1. To the conception of surplus value a particular theory of distribution necessarily attaches; and, in consequence, different kinds of payments occur. These

are due to the social organization of the time, which is as much as saying that they derive their present meaning from its existence, and cannot be satisfactorily considered save with constant reference to it. The division of income denoted by them would not exist, for instance, in the case of the individual living his own life apart from his fellows, unassisted by social aid and unrestricted by social institutions. But man is a creature of society, and the various terms or payments such as rent, wages, profits, interests, and the like, must be treated with reference to him as such. Two points present themselves in such a consideration. They have to be viewed, firstly, as social features necessary so long as society is what it is; and, secondly, with reference to the ways in which any particular total payment is distributed among its respective recipients in that society—wages, that is among wage recipients, rent among rent recipients, and so on. This, however, can be done profitably only when a consideration of the first point has been concluded. For the purposes of such, society or the state must be viewed as if consisting of one worker, one capitalist, and one landlord—a conception which possesses some element of truth through the unity introduced, and still more the unity betokened, by the division of labour.

The national net income is divided by Rodbertus into two portions—wages and rent. What wages are is not hard to determine: they are the share of labour and the remuneration which it still receives, despite the deductions enforced by those who lay their strong propertied grasp on so large a part of what is produced. This latter portion is rent, and it is the share of those who receive an income by right of property—not because they labour, but because they possess. Wages

and rent, then, are antithetical conceptions. They differ in origin, are complementary in amount, and accrue to widely different classes.

§ 2. Rent, as used by Rodbertus, requires some explanation. It is a term uniformly employed to denote all income which is derived by its owners from any other cause besides labour—from, that is, according to Rodbertus, the power of property. As such, it is the creation of the forces which produce the phenomenon of surplus value, which it measures, and with which it coincides.

§ 3. Its possibility depends on two conditions—the production by labour of more than is wanted to maintain those who work, and the existence of laws and customs whereby this surplus is taken from those who work, and handed over to those who do not work but possess. The first condition has existed ever since the introduction—the partial introduction—of the division of labour. The second is embodied in various social conventions. At one time slavery was the very effective means whereby it was achieved, while since its abolition private ownership of land and capital, that is, of the opportunity and means of production, has brought about results like in kind, though they may differ in degree. "From the economic standpoint, there is one result which is common to both, for in both cases the product accrues not to those who work, but to those who are set over them either by personal lordship or by ownership of land and capital. Slavery has been replaced by the contract between the labourers and the wage-payer (*Lohnherr*); this contract is free in name, but not in reality, for hunger is a very adequate substitute for the slave-driver's lash. What was formerly called provender is now called wages."

§ 4. Rodbertus not only indicates the existence and opposite character of these two payments or incomes, but teaches that they form, speaking broadly, an exhaustive division of the national income. There are wages and rent and nothing further, What does not go to one goes to the other, and so the terms, high and low, rising and falling, obtain their meaning. To say then that wages and rent are low or falling means in this connection that the one mentioned forms a small or decreasing part of the total net product. In the case of wages, indeed, there is a possible ambiguity as these expressions bear another interpretation according to the relation of wages to the necessary standard of subsistence, that is to necessary wages. Distance between this and the actual wages may be expressed by calling the latter high, and when this distance is increasing wages are said to be rising.

As will be observed, this use of terms coincides with that employed by Ricardo, and both authors agree in dividing income into that which is wages and that which is not. In other points there is considerable difference, for irrespective of the disagreement as to the nature of ground rent to which we shall come, the earlier master of abstract theory was wholly uncommitted as to the source of that income which was not wages. Rodbertus attributes it to the action of private ownership, thus refusing to interest and the like a main basis in service or cost. Certain admissions, however, are made in the course of argument.

§ 5. Rent is subject to further division. This, which rarely occurred in early times owing to the union of land and capital in one ownership, is a marked feature in modern life; and this difference serves more than any other to demarcate modern economic theories

from those which are to be found in the pages of early philosophic writers, who were hindered from a sound economic knowledge by the confused conceptions of capital, which they derived from observation of the life around them. Land and capital were in one hand, and the distinction ignored in practice was largely ignored in theory.

With the separation of the ownership of land from that of capital, division of rent takes place into ground rent and capital rent. According to Rodbertus it takes place in the following way.

§ 6. As rent is in essence a deduction from the produce of labour, it stands necessarily related to the amount of labour and the total income, and the total appropriation is really determined by three circumstances, the standard of necessary subsistence, the quantity of labour, and its productiveness. In like manner, comparing commodity with commodity, or process with process, the income appropriated in each case varies with the labour engaged in the respective tasks. But it may be asked if this is not equivalent to saying that such appropriation varies with the essential value of the commodities or processes. This further step in the argument is taken by Rodbertus, who, while admitting present variations, makes on this occasion the assumption that value not only should, but tends to, correspond with labour costs; of course both direct and indirect labour are included. This granted, he proceeds to compare the different circumstances of manufacture and agriculture or other extractive industries. First of all it is laid down that if the same quantity of labour, direct and indirect, be involved in each, the respective products will approximate in value, the same opportunities for expropriation or appropri-

ation will exist, and the same amount will be deducted in each case as rent. The respective rents will be determined by the labour employed in the processes of agriculture and manufacture, and will be proportionate to the value of the raw material and the value added in the manufacturing process. This is inevitable when rent is drawn from the fund or income produced by labour, and arises from no other source. The labour referred to includes that which is indirect as well as that exerted directly and immediately. Thus in both agriculture and manufacture the labour already expended in the production of the tools or machinery comes into the count to the full extent of their employment, a certain amount of indirect labour being credited to each use. The total labour and so the value due to either process corresponds to the whole direct labour, together with a due proportion of this indirect labour.

§ 7. Such rent when compared with the non-immediate labour or capital (*vorgethan Arbeit*) is expressed by a certain percentage which is the rate of return upon the capital, a rate which will, it need hardly be added, be demanded on all capital alike on account of its mobile nature and the indifference with which capital can be employed in various directions.[1] Unless this be so all those having capital at their disposal will proceed to invest in the forms in which it will obtain the higher rate. One amount of capital can be substituted for another in theory, and in practice tendencies are at work to make this good. A manufacturer will require the same return on all portions of his capital, whether that be invested in one way or another, in tools and machinery or in raw material, and his indifference to the direction taken will ensure

[1] *Zur Erkenntniss*, iii.

him what he demands. Nor is this merely the view taken by a competing individual. Society itself in its corporate capacity will put forward exactly similar requirements, one part of its labour in the first year will embody itself in material to be used in manufacture during the same or following year, and another part in machinery and tools. The rent or interest, to use the more technical term, accruing on the one must also accrue on the other.

§ 8. What has been said becomes of great importance in view of a particular difference which, according to Rodbertus, exists between the processes of manufacture and agriculture or extraction. In manufacture the rent is determined by the total labour, the direct labour and the due proportion of the indirect labour in tools and machinery; but it is reckoned by the recipient according to his capital, which includes, not only the tool capital, but the capital used in purchasing the raw material. Its percentage is reckoned in this whole total. The manufacturer, to put the illustration in another way, in doing his work and increasing the value of the total production, employs a certain number of labourers, and buys machinery to assist these latter and raw material, on which they are to work, and to which the united efforts of labour and machinery add value. But the material does not add to the value. On the other hand, the so-called rent which he obtains is a virtual deduction from the shares of the labour, which does so affect value and corresponds to this value. Moreover, it is clear that he will demand the same return on that part of his capital involved in the purchase of material as on that which is invested in the machinery, so far as the latter is used in the particular production. In producing raw material,

however, the case is altered; there machinery is used, and it, together with the immediate labour, determines the value; but there is no raw material. A comparison of the positions of a manufacturer and an agriculturist, who employ the same amount of labour and use machinery representing the same indirect labour, exhibits both as able to appropriate the same rent, but one, the manufacturer, as handicapped by having to purchase raw material. One of two things will happen. Either products will have to exchange on a basis different from that of labour cost, or by some means or other the rent appropriated by the agriculturist must be maintained at the higher amount, despite his smaller outlay. He receives something over, and the something over must be absorbed by some charge, else it will be taken away by competition. This something over constitutes, according to Rodbertus, the essential ground rent. Land, in other words, stands in place of raw material, receives a like portion of rent, and so is estimated at a like worth. One small point may be indicated. The whole matter is one of income. The division between wages and rent is the division of income and not of the total product, for some part of this consists in the replacement of the capital employed.

§ 9. The argument is capable of wider application than that given to it by Rodbertus. Taking production as extending over a long time and passing through various stages, and premising, firstly, that value tends to correspond to labour cost, and, secondly, that of the income due to labour a certain portion is deducted and distributed among the owners of capital, it is obvious that in the later stages of production, in those, that is, which involve material, and that material of increasing value, the percentage of the amount deducted

from the income of labour will be smaller as compared with the total capital than in earlier stages, when there is no material or less material. It is as valid between the weaver and the spinner as between the spinner and the producer of raw cotton. The weaver and the spinner may employ an equal number of men and an equal quantity of indirect labour in the form of machinery, but the material to be purchased by the weaver will involve a larger expenditure than in the other case. And yet, according to assumption, the value added by the process of weaving is the same as that added in the process of spinning. Each successive stage in production takes on the product of the preceding stage, and the product of each stage forms the material of that which follows upon it. Here the solution sought in ground rent is inapplicable.

§ 10. Criticism so far has proceeded on the assumption that some such distinction as that indicated between material and machinery or instruments exists; but this may be questioned. Is not the distinction artificial and illusory? In the first place it may be pointed out that instruments and machinery are, in their primitive form wholly, and in their more developed form largely, the product of a process of extraction, and so far as this is the case there is no further reason for asserting that they add value in the manufacturing sense than would hold true equally in the case of material. To treat them on a different basis is to reckon an element twice in one case and only once in another. In the second place, a similar mistake on another side is involved in this contention. The amount appropriated from the labour income to the benefit of capital, if reckoned on the value, indirect and direct, as stated by Rodbertus, is reckoned as if appro-

priated from the amount needed to replace the capital, as well as from the income which would but for it belong to labour. This means that it is reckoned twice. An illustration will make this clearer. In the case contemplated there are two processes, occupying two successive years. During the first year raw material is produced, and machinery likewise produced. During the second year the machinery, together with direct labour, adds in manufacture a value equal to that already embodied in the raw material. The income of the labour employed in the production of material is subject to a deduction which goes to capital. Does the same happen in the case of the labour producing the machinery in this first year? If it does, the same income cannot be subject to a fresh deduction in the course of the second year without the capitalists owning the raw material, demanding a double deduction from the income of the labour involved in their process. Should it be urged that, in the case of the labour producing the machinery, no deduction is made in the first year, but a deferred deduction takes place in the second, it is evident that the claim in the case of raw material fails altogether. The same deductions are made in each case, only in the case of the raw material during the first year, and in the case of the machinery during the second; and if the former capital demands a repetition of the expropriation in the second year, the latter might equally demand an anticipation in addition to, and not in place of, it in the first year.

Such considerations, whilst they destroy the distinction set up between material and instruments, and thus knock away the whole basis of the theory of ground rent as set forth by Rodbertus, leave untouched the difference indicated between early and late stages

in production. It is the rather emphasized since part of the gain made by capital out of labour, according to Rodbertus, is shown to be imaginary, and to be due to the double reckoning of the part invested in instruments and machinery. The question is thus reduced to one between immediate and deferred production, uncomplicated by considerations of the different forms capital may assume, and so a cause of constant confusion in the illustrations of the case by Rodbertus is cleared away.

§ 11. How does his argument stand with regard to this new statement of the matter—a statement which, it must be remembered, he never had fairly and simply before him? The element he overlooked was time. Even in speaking of successive stages of industry, of agriculture, and then manufacture, and of the reckoning of interest in percentages, he fails to place sufficient stress on the fact that all such reckoning is in terms of time, and thus does not use language precise enough to exclude the suggestion that the mere number of stages which a product has to pass through on its way to completion may be the cause of this *something over* in simpler cases, without reference to any difference in the length of time. Though it is probable that he would have recognized this as fallacious in its crude form, an idea closely akin lies at the bottom of his illustration and argument. In point of fact, the position of the manufacturer with regard to machinery and material is that, whilst the new labour employed is adding value, the capital representing former labour has to remain inactive another period or year before it can issue in a commodity suitable for consumption. Meantime, it does not add value to anything; it is postponed without effect and without motive. But

will any one deliberately place their labour in such a form when, by giving it another direction, it might produce an immediate means of supplying demand. When this is so, the dilemma which presented itself to Rodbertus will present itself to us, but in a somewhat different form. Either commodities will differ in value from cost altogether, or time which elapses between labour and consumption will be included in the labour cost. From simple labour they obviously differ. While the inclusion of time is a consideration practically uncontemplated, it is a matter for wonder that Rodbertus should so rigidly refuse to avail himself of the other alternative. In different parts of his works he definitely negatives the statement that labour cost corresponds to value at the present time, only as it seems to introduce it here as an inevitable law of tendencies, and as, it seems only probable, a basis for this particular and ingenious, though artificial, theory of ground rent. That such correspondence is an assumption he admits, but then he goes on to argue that it is not an unsound assumption, and that, moreover, he has with him orthodox economic opinion. Yet the case in its essential features was treated by Ricardo, who points out that the existence of interest necessarily prevents value and labour cost from coinciding.[1] The importance of time in all questions concerning capital and interest is fundamental, as will be manifest when we turn to the consideration of the definite treatment of these matters by Rodbertus.

§ 12. For the present certain features connected with the rent of land and wages need notice.

The significance of his theory of ground rent formulated above, as, indeed, of his whole consideration

[1] Ricardo, *Principles* (Ed. Gonner), chap. i., section iv., §§ 17, 18.

of this subject, lies in the circumstances under which it was developed. It was an answer to certain positions advocated by von Kirchmann, who, while agreeing with him in viewing the present as a period of trouble and suffering, of which pauperism and commercial crises were the gravest symptoms, differed as to the cause of such a condition of things. This he found in the increase of rent, meaning by rent the differential rent of Ricardo. In opposition to him, Rodbertus seeks both to disprove this cause and to establish another in its place. A desire in the first direction is the explanation of the great emphasis he places on the existence of a rent other than that inevitably occasioned by difference in fertility, and on what he treats as a most important point in his opponent's doctrine of rent, namely, the progression of cultivation from the better to worse soils. To von Kirchmann the cause of the evil was natural and involved in the very circumstances of nature; to Rodbertus it was social, and lay in the particular organization of society. Those who take these considerations into account will view the treatment of rent as, to say the least, not unexpected.

§ 13. Differences in rent due to differences in fertility are, it must be remembered, fully recognized by Rodbertus, who, however, urges that this cause accounts not for rent, but only for certain differences in rent, and that rent exists quite apart from them, and owing to other and definite causes. To make his position good, he first of all sets out these latter, formulating the theory of ground rent criticised above, and, secondly, attacks the Ricardian theory. On this hostile criticism he concentrates much force and learning. His argument may be placed under four headings.

§ 14. In the first part, it is laid down that it is

incorrect in fact, to assert that the more fertile lands come first under cultivation. The land first cultivated is often not the best. This position is approached from different sides. The nature of the early mark system is explained with the view of showing that in this stage of development the lands nearest the village were those used as arable, wholly irrespective of their fertility. Again, there are certain circumstances which frequently have rendered the more fertile soils wholly inaccessible till a comparatively late stage in development. One such cause consists in the retrocession of the sea and changes in the course of rivers, which render excellent alluvial ground available for the first time. Another cause is the early restriction placed on the cultivation of distant lands by the want of capital. Moreover, the whole conditions of political life were opposed to the freedom on the part of the proprietor necessary to a positive and conscious selection of the better lands for cultivation before the others. Land could not be alienated by the proprietor, and, indeed, till a comparatively late date could not be leased for farming purposes.[1]

§ 15. In the second part, the great change which passes over the soil of the country through an expenditure of capital is depicted. If we take the case of draining, possibly the most important of all cases, instances of the alteration produced in the relative position of different parts of the country are cited from different quarters. In some of these the rent of the land affected has been very much raised and its total value increased quite out of proportion to the increase naturally due to the capital expended. Draining is an improvement brought about by general enlighten-

[1] *Zur Bel.*, i. 253-270.

ment, and requires as a preliminary something more than the mere accumulation of capital. A similar result has been occasioned by changes in the methods of cultivation, which have opened to proprietors new and profitable ways of using capital. Restrictions which, under older systems, have interfered with the opportunity for its employment are removed, the fertility of the country is increased, and cultivation proceeds from worse to better soils.[1] Owing to circumstances such as these, it is surely incorrect to say that outlays of capital or doses of capital, to use the technical expression, when applied to the land, become successively less productive.

§ 16. In the third part, the intimate connection between the rent of land and the profit on capital is dwelt on with the purpose of showing that the existence of this latter involves the former, and that in consequence there never was a time when the profit on capital alone was paid, the conditions of cultivation being such that all land was equally favourable. In early times the surplus or the income taken from labour was, in form at any rate, paid to the owner of land, who united in his person the two-fold function of landlord and capitalist.

§ 17. In the fourth and last portion of his argument, Rodbertus enters upon the consideration of the connection alleged to exist between density of population and prices of grain on the one hand, and rent on the other. The first contention, that increased density of population leads to higher prices of grain as compared with other goods, because it compels a continual resort to more unproductive lands, is contested on the ground of history and statistics, and, so far as modern times

[1] *Zur Bel.*, i. 272-280.

are concerned, with considerable force. They do not invariably exist together, and even when there is some such apparent coincidence, the rise in price, it is argued, can often be accounted for on other grounds.[1] The second contention as to the relation between increased density and higher rent of land is not denied in point of fact, but the conclusions drawn from it are contested. Rodbertus does not admit that it supplies any argument in favour of the Ricardian doctrine.[2] To do that, something else must be premised, namely, the rise in the price of grain, which has already been dealt with. Apart from this, such a consequence of increasing population means nothing as to fertility or unfertility of the soil. Another interpretation of the phenomenon is offered in the suggestion that increased density and higher ground rent are connected because the former necessarily co-exists with conditions allowing of the employment of more labour in a given space. Hence greater opportunity for expropriation without any increase in the acreage, and hence higher rents.

§ 18. This criticism in both its negative and its positive aspects must be considered with regard to two points. So far as the abstract and statistical theory of rent is concerned, it affects the Ricardian theory rather in form than in reality. The disregard of the part played by situation in that theory is an obvious weakness in the attack. Viewed in connection with the particular application of this theory, which makes the rise in the rent of land the main cause of economic ill, it is much more forcible. So far as present ills are concerned, it is fairly successful in showing that the increase of rent is not the chief

[1] *Zur Bel.*, i. 290-313. [2] *Ibid.*, 313-321.

cause; but this, of course, is not equivalent to proof that it might not become such, or even that it is not at present a contributory cause.

To fully understand Rodbertus, the theory he attacks may be digested into three propositions and separately considered. The first is that a difference exists between the fertility of the different soils, a position which Rodbertus of course does not contest.[1] The second, and from an abstract point of view the most important, lies in the contention that the rent of land is due to this difference alone,[2] which Rodbertus absolutely denies, and in view of which his own doctrine of the cause of rent is brought in as affording grounds for such independent of differences in fertility and even in situation, though this latter aspect is overlooked. Lastly, there is the assumption that the foregoing facts have been attended by circumstances of decreasing productivity in agriculture.[3] But this is no fundamental part of the theory of rent, which is quite compatible with circumstances of either increasing or decreasing production, as Rodbertus himself admits.[4] His examination is conducted with the view of disproving the two latter propositions, and much of its want of pertinence, so far as the doctrine of rent is concerned, is due to his efforts to show that the third is untrue—that is, that cultivation is not, and has not been, descending from more to less fertile lands.

§ 19. On turning from the rent of land to the subject of wages, one is struck by the curious readiness with which Rodbertus in his early years adopted the dicta and arguments of Ricardo on this particular point, and his partial abandonment of the method of historical criticism. He accepts the theory that wages

[1] *Zur Bel.*, i. 91. [2] *Ibid.* [3] *Ibid.*, 95. [4] *Ibid.*, 90, 95, etc.

can be kept down to the necessary wages, and concludes both that this has taken place and that such a restrictive process is a leading cause of social difficulties, and so far as present symptoms are concerned the main cause. On this point, however, his express denial of the view that labour, so far as amount is concerned, has been deprived of anything that it ever possessed, places him in opposition to much socialistic teaching. His own contention is that its proportionate share has diminished with increased productivity, and that it does not receive much that under other conditions it would receive. The process of expropriation (*Ausbeutung*) relates to proportions not quantities. As to the abstract possibility or probability of such a process and its historical existence, Rodbertus adds little directly to knowledge. The first he seems to take as established, the second as obvious. In the case of the first, he contents himself with reference to the English economists by whom its truth is fully recognized, and with saying in many ways and many words, that private property in land and capital operates in such a way that those who work, but do not possess, are so situated in relation to their masters that they are glad to be able to retain sufficient of their produce to keep body and soul together, and so to enable them to continue their toil.[1] From a historical standpoint, the treatment is little more satisfactory; taken as a whole it is incidental rather than direct and scientific in method. In his first letter he gives an account of the development of crises and a growth of pauperism in the early part of this century, concurrent with vast improvements in production. The restriction of the share of wages and the material

[1] *Zur Bel.*, i. 51, 52.

degradation of the working class is forcibly depicted. But this relates to one period and to that only incidentally. What was wanted was a systematic investigation as to the wages of this period and, when possible, of others, as definitely compared with other forms of income both as to proportion and as to amount. This was not unperceived, and in one of his later writings, in a chapter of the second part of the *Zur Beleuchtung* which remains unfinished, he commenced a comparison between the share of the working classes in the national income on the data supplied by Colquhoun and Baxter. Owing to imperfection in method and the unreliability of the earlier data, this is only valuable as an evidence that historical and statistical proof was deemed desirable by Rodbertus.

§ 20. This entire treatment of the distribution of wealth explains the meaning of the phrase which was cited in the beginning of the present chapter to the effect that wages, interest, and rent, are *social* facts and conceptions—that is, wages as they are paid, interest as it accrues, and rent as it accrues. Interest, profit, and rent, that is, exist or arise by reason of certain social conditions and not out of any necessary circumstances. These conditions account for the so-called *payment* of wages, which, as a misconception, deserves to rank alongside of the view of the employer as one who *gives work* to those who labour. Income necessarily and normally accrues to labour out of the produce of society, and should accrue in relation to its efficiency. According to Rodbertus, this participation by labour in the product is involved in the constitution of things. As for other forms of income, these occur because of social conventions which allow the due receipts of labour to be pared down, and

give the parings to others. They do not arise inevitably, but only by reason of society and social laws and customs. From this general conclusion differential rent must be excepted. Its peculiar nature was acknowledged by Rodbertus, who considered that the difficulty would have to be overcome by the adoption of a system of average cost.

CHAPTER III.

CAPITAL AND INTEREST.

§ 1. *Importance of theory of capital in system of Rodbertus.* § 2. *His recognition of the work of capital and the capitalist and of the necessity of interest under present circumstances.* § 3. *Capital to be viewed under various social systems.* § 4. *Distinction between income and capital.* § 5. *Whether food consumed during production is capital.* § 6. *Origin of capital. Saving.* § 7. *Use of term 'saving' criticized.* § 8. *Nature of capital.* § 9. *As a result capital is not the source of income.* § 10. *Capital in the case of solitary economic man.* § 11. *Its position in this case further considered.* § 12. *Capital in a socialized community.* § 13. *Consideration of foregoing shows need of distinguishing capital from process leading up to it.* § 14. *This more obvious in third case, capital when private property in it exists.* § 15. *Postponement with solitary man and under communism.* § 16. *The same in existing society.* § 17. *Bearing of this on food or maintenance as capital.* § 18. *Rodbertus' criticism of basis of interest. First, Bastiat's man with the plane.* § 19. *Second, saving under slavery and in a free community.* § 20. *Third, the right to work.* § 21. *Kapital Gewinn with Rodbertus to be distinguished from strict interest. Reasons for this, and criticism.* § 22. *Criticism of Rodbertus' treatment or neglect of strict interest continued.* § 23. *Obvious meaning of interest to Rodbertus. Criticism.* § 24. *Basis of his interest in Besitz. Private employment of capital incompatible with socialism. Not so strict interest.* § 25. *Moreover Kapital Gewinn and private capital admitted as present necessities owing to weakness of society.* § 26. *Main defect in treatment of capital by Rodbertus.*

§ 1. From the preceding discussions on value and the distribution of wealth, it is easy to see that a

correct view of capital is of fundamental importance to economic theory. In the case of value, for instance, the most critical part of the argument turns on the identity, so far as measurement is concerned, of immediate labour and non-immediate labour (*Vorgethan Arbeit*), while the effectual demand on the part of the owners of capital for a share in the national income is the cause of interest, and indeed, in the eyes of Rodbertus, and so long as value is not affected, of a very substantial part of the rent of land. So a theory of capital underlies and conditions the more abstract portions of his writings, and it is to it that we must now turn.

§ 2. Apart from his treatment of the principal question, there are certain points brought forward which require some brief notice, as they serve to throw his main position into stronger relief, and to distinguish his views from those of other thinkers who have expressed themselves in somewhat similar terms. In the first place, he has no doubt as to the important position necessarily occupied by capital in the undertakings of an industrial community. It is a fundamental necessity in production which has passed out of its earliest stage, as without the existence of capital in the form of instruments or material, the division of labour in time, the superimposition of final labour on a basis of preliminary labour, would be impossible and thus co-operation would be most essentially restricted.[1] Similarly human effort would be able to achieve only imperfectly its task of utilizing nature and natural forces.[2] Without a crooked stick the task of getting fruit from the tree would be much more tedious than it is at present. In the second place, he regards it not only as normal,

[1] *Kapital*, 239, 240. [2] *Ibid.* 236.

but, so long as present conditions exist, as inevitable that the employer should pay interest for the use of capital.[1] Not to do so would be a further exploitation on his part, though in this instance the victim of his artifice would be the capitalist and not the labourer. Given the institution of private property in land and capital, such interest must be paid, but this institution of course he does not deem indispensable. And lastly, he admits that the capitalistic condition forms one of the necessary phases through which society must pass in its wanderings in the desert. During it the capitalist, the undertaker (*unternehmer*), and the landowner, perform certain functions which, in a correctly-organized community, would be undertaken and performed by the state.

§ 3. Capital must be studied under differing social conditions, but so far as its more important features are concerned, there is little difference in two great stages of social growth, that of the man on the island, and that of a unified corporate society in which private property in land and capital does not exist. The aspect of capital under these conditions has to be contrasted with that which it bears in a state where private property in land and capital is an institution, since it is to the existence of such private property that Rodbertus attributes the false views taken by economists, and in particular those as to the necessary nature of profits and interest. It is necessary, then, to investigate capital under conditions where such private property does not exist.

§ 4. A clear distinction must be drawn between capital and income, two essentially different conceptions, as Rodbertus says. Income is the goal towards

[1] *Zur Bel.*, i. 175, etc.

which the industrial path leads, capital is the portion of that path already traversed.[1] In other ways the difference is equally clear. Though both alike are product and the result of production, one is product which is used to assist the further processes of production, the other product which satisfies immediate needs. Both stand related to labour, but capital represents labour done but incomplete, because it is but a preliminary to further labour, while income represents the perfected labour which is followed by enjoyment. If they be viewed as embodied in material objects, the one consists of instruments and material, the other of commodities capable of satisfying wants directly, and desired for themselves. The distinction thus drawn introduces a matter of considerable difficulty.

§ 5. What of the means of subsistence which support the worker or the working community whilst new productions are in the process of manufacture? On this point Rodbertus is very definite.[2] To mistake this for capital was, he says, a fundamental error, and one that tends to obliterate the distinction between capital and income. "It is certainly true that the solitary economic man consumes food previously produced by him, while he is engaged in producing fresh commodities, and it is equally true that, if he had not such already to hand, he must produce it in place of anything else. But this is but the necessary interchange between production and consumption, and will hold good under all conditions. Man must work continually to satisfy his continual wants, and so he is always consuming the income produced by his earlier toils, whilst engaged in new ones. He consumes while

[1] *Kapital*, 235. [2] *Ibid.*, 233.

he produces, and produces while he consumes; but he does not consume in order to produce, in the way in which he manufactures instruments and materials to produce income by this means, but he produces in order to consume, and for that end alone. He makes his income in order to enjoy it."[1] In other words, income consists of goods devoted to immediate enjoyment, and therefore cannot rank as capital. It is an incident that, during its consumption, he continues his productive work. Such might not be the case. The extent to which the income on which a man subsists is the result of present or nearly present labour, depends entirely on the stage in which the society or individual economic man is with regard to the use of indirect and lengthy processes of production. So far as their material character is concerned such goods must clearly rank as income, and it can hardly be satisfactorily contended that any particular utilization of time and direction of labour during this period of consumption can remove them from this position; they are produced for consumption, and they are consumed in the one way, whatever those who are consuming them may be doing; whether they remain idle or employ themselves in manufacturing implements and machinery. The distinction thus drawn between income and capital, and thus illustrated, is important in several directions. It serves as an introduction to certain considerations as to the origin, the nature, and the result of capital.

§ 6. Firstly, with regard to its origin. In this connection it is important to consider the general view that capital is the result of saving (*Sparen*). This view in its baldest sense may be said to imply that goods are accumulated into a store, and that certain goods

[1] *Kapital*, 233.

are saved from immediate consumption and diverted to productive purposes.[1] But if we look at capital as it really exists, it is clear that instruments and material are not saved in this sense. They are not accumulated into a store to make provision for the future, while still less are they saved so far as immediate consumption is concerned, for which purpose neither were they intended nor are they suitable. In whatever light it be considered, capital is obviously the result of labour, and the result of labour that is not required or used for the purpose of gratifying immediate wants. Though this may be taken as the broad and general view of the question, there are certain particular cases which illustrate, according to Rodbertus, the inadequacy of the theory that it originates in "saving." Thus an increase in the productiveness of labour enables capital to increase without any diminution in the rate of consumption or even side by side with its increase. This in his eyes confirms the conclusion that capital is the result of labour.

§ 7. This view is open to considerable criticism. "Saving" is employed in much too narrow a sense, and though this can be explained by a reference to many equally narrow expressions and still more narrow illustrations in early economic writings, the particular interpretation cannot be seriously supported as against the contention that saving must be considered in its potential as well as its positive aspect. The immediate goods which *might have been* produced must come into account. Again while it is right in one sense and in Rodbertus' sense, to insist that capital is the result of labour, it is equally important to remember that

[1] *Kapital*, 240, etc., 270, etc.

it is the result of labour exercised in one direction instead of another, and it then becomes most important to give some explanation of the reasons which have led to labour taking this direction.

§ 8. Secondly, the essential nature of capital requires consideration. The theory that this resides in the productive power (*Akkumulativkraft*) which arises through accumulation is vigorously combated. Of course this must not be taken as implying disbelief in the greater productivity which accompanies the indirect processes in which capital plays a distinguished part, for that is fully recognized though it is not attributed to capital as capital. If such be deemed essential in capital, the position of instruments and machinery is simple, but the same cannot, according to Rodbertus, be said for material.[1] Again a very great increase in productivity may arise from the substitution for an inferior instrument of a superior one, a process which does not involve any increase in capital. These arguments are designed to show that increase in productive power is due to the circumstance that labour is attended with greater effect when plied indirectly than directly. "Productivity is a term used to express the relation between the cost of the product in labour and its utility. The greater the product in amount or quality as compared with the labour it costs, the higher the productivity of labour. An increase in productivity occurs when labour receives greater assistance from natural forces, and is occasioned by no other cause. Man gets nature to do work which he formerly had to do himself."[2] "But natural forces are rarely such that they can be used for such a purpose directly and without preparation, and any

[1] *Kapital*, 238, 252. [2] *Ibid.*, 235-236.

such preparation involves labour on the part of man. This labour, which is termed non-immediate, is directed to the immediate production of the things which are wanted with the view of obtaining the mastery over certain natural forces. Increased productivity occurs when this indirect labour (employed in obtaining the mastery over natural force) and the direct labour together result in a larger amount of utility than if the indirect labour had been applied directly."[1]

§ 9. Thirdly, after the preceding considerations it follows almost as a matter of course that capital cannot rightfully be regarded as a source of income. Here again Rodbertus emphasizes his divergence from the main body of economic writers of his day. They depict capital as a source of income, and as bearing this relationship even in the case of the isolated economic man. They believe that they can demonstrate a causal connection between capital and income, or at least some part of income, so that income either in its entirety or in part may be considered as the product of capital. The latter they regard as the mother and the former as the offspring, a view essentially naive and very similar to that taken by the Greeks when they called interest τόκος. But after what has recently been said, the inaccuracy of this conception is clear. It is impossible that capital can stand to income in the relation of source to amount, of cause to consequence, or even of productive force to product. Capital is labour already done, and requiring for its full completion other labour or product which is used in the course of further production, or instruments and material; while income is completed work, the finished product, the materials

[1] *Kapital*, 236.

and instruments moulded into the means of direct enjoyment.

§ 10. "The solitary man breaks off a stick and with it knocks down fruit from the tree. Now if capital is really the source of income this relationship must exist even in the earliest and most simple conditions. But is it possible, without violating all fundamental ideas, to call the stick the source of the income comprised in the fruit or of any part of that income? Is it possible to attribute the fruit to the stick, as effect to cause? Can it be regarded as the product of the stick? Grant that the fruit could not be reached, that is produced, without the stick. But even then no one would leave out of count the labour of the man who held the stick, and attribute the whole fruit to the stick used to reach it. Thus economists are in the main inclined to attribute income to the co-operation of capital, and to trace it back to its source in the combination of labour and capital, in the belief that it is the product of their union. But even if they are so far right that the fruit is the product of something else in addition to the labour that used the stick, this does not make it the product of the stick. *It is much more the product of the labour that broke off the stick together with the labour that used it.* The former is nothing but the beginning of the labour which results in the income, and if this beginning is to terminate in income, it must be followed by the use of the stick. No doubt labour which first breaks off the stick and then uses it, is more productive since without a stick it is possible that the fruit could not be reached at all, or at any rate only at a greater expenditure of time and trouble. But that only makes the increased income consisting

in the fruit *the product of more productive labour.* The ground of this increase of income lies plainly in the increased productivity of labour and is not a result of the materialized first half of that labour, its first stage."[1]

§ 11. In the case of the solitary economic man, it is obvious that the relation between capital and income is not causal, but merely successive. To obtain his income, and to obtain as large an income as possible, he labours continually and as productively as is within his power. To do this he begins his work by the production of instruments and materials, and then proceeds by means of the former to develop the latter into income. Material passes over wholly into the form of income, instruments so far as the particular use is concerned. So capital continually merges into income. It is only the beginning of income—a beginning continued even as it began in labour. Capital as well as income is product of labour, and of labour alone, which, in order to obtain income, must first produce capital, because capital in point of fact is nothing but income in its first stage.[2] Every increase of income resulting from this process is to be attributed to labour alone, which only becomes more productive because the producer applies the same amount of labour in a better way, and understands how to make nature more effective in his service. Such may possibly consist in nothing but the substitution of better for worse machinery, of better for worse material, or even in an increase in skill. There is, in a word, but one cause of an increase in income, and that is, greater productivity of labour, and no second or separate factor, called capital, exists by its side,[3] for capital is nothing

[1] *Kapital*, 250-251. [2] *Ibid.*, 252-4. [3] *Ibid.*, 252-4.

but a particular process of labour. By itself it is nothing.

§ 12. This reasoning employed in the case of a man living an isolated life is substantially applicable to a society communistically organized, and either sole common owner of the land and capital, or living under conditions where these are so unrestricted that questions of ownership do not arise. A fully socialized community can hardly be distinguished in these respects from the economic individual. It will make the disposition of its labour which is best suited to its needs : some part will be apportioned to the production of instruments and other indirect means, and some turned to the work of completing the operations already in progress and embodied in these. Throughout the descriptions in the pages of Rodbertus we have a society depicted in which some definite stage of development has been attained, and in which some labour is preliminary and other labour final, the object of efforts and organization alike being the best satisfaction of the common needs. Labour is thus rendered more effective and productive ; the gap between cost and utility is increased. Such is the general result of social organization. In some cases the end is attained by a more intelligent organization of the forces at present command. In others the prior performance of certain tasks is required, and labour passes through the form of capital before, in conjunction with other labour, it results in the production of commodities capable of affording satisfaction and enjoyment. In both cases alike, the decision as to what function shall be performed by each member, or what labour shall be exercised indirectly and what directly, resides in the central authority of the particular society. But

in one particular the latter case wears an aspect of its own. It is, of course, clear that the motive of organization in both cases is increase of productivity, but only in the latter instance is the notion of compensation for some loss or diminution of present pleasure involved. To the society itself it is a matter of indifference whether some of its members work in one and some in another way, so long as the total product is not decreased. The instances and the particular illustrations by which they are accompanied show the nature of the capital which Rodbertus had in mind in his definition. It consists of material objects, and is limited to two kinds of these, instruments and materials, since food or maintenance ranks as income, and is rigidly excluded from the category of capital.

§ 13. In this way a broad distinction is drawn between things as capital and the process whereby they come into existence, which lies in the decision to apply labour in indirect rather than in direct production. Decision is conditioned by motive. But the process which thus lies behind capital and occasions it, though in one case, at any rate, seen by Rodbertus, is practically ignored throughout the great body of his reasoning, which is directed to show that private property in capital as defined gives rise to the exaction of a certain payment out of the total income to its owners. This, *though called interest*, is distinct from any payments, likewise called interest, involved in the process described as preliminary to the existence of capital. Such interest might arise independently of the passing of capital into private hands, and a claim to it neither involves the latter nor gives rise to the consequences depicted by Rodbertus.

§ 14. This distinction, and the nature of his conception of capital, will be still more obvious if we turn to the circumstances to be discerned in a community where private property in capital exists, and to his criticism as compared with a more modern representation of the case.

The most important point is the view to be taken of the real wages or maintenance of the working class. In his comment upon this, Rodbertus points out, firstly, that wages are almost invariably paid after and not before the performance of the work which they remunerate; and secondly, that the goods constituting the real wages so far from existing as a store before the particular work of production begins, are produced concurrently with the product of the industry under consideration. But neither of these forms the really important part of his argument which turns on the similarity or dissimilarity of the goods constituting *rent* (real profit and real interest and real ground rent) and those constituting wages, that is, real wages. Is there any reason why the latter should be included under capital while the former are deemed income? Is there any essential difference? If we take his sketch of economic organization with its various stages of raw production, manufacture, and so on, it is not hard to see that in one respect wages and rents and interests are alike, that is, the goods which constitute them are produced in a system formed proportionately of direct and indirect labour, and are continually produced during the process in which such labour is involved. Indeed, save when paid before work, there is no reason to regard wages any more than interest as being advanced out of capital in the bald sense in which

that phrase is usually employed. Again, the two are alike inasmuch as both depend, so far as their amount is concerned, upon the stage of productiveness, and so of organization in which the society concerned happens to be. It is true that wages would not be so high save for the fact that society is in a capitalistic stage, but neither would interest, nor profit, nor possibly ground rent. So far as this matter is concerned, all depend alike on the social organization of industry. When, however, Rodbertus proceeds to say that real wages, that is, the subsistence of the worker, are already his in virtue of work whether directly applied or indirectly, the nature of the wages referred to should be defined. Are they the real wages which labour actually receives, given the present rate of productivity or the wages it would receive under the same conditions if there were no profit, no interest, and no ground rent. The importance of this distinction lies in the fact that certain elements duly reckoned in the first case, would not be taken into account in the second. As Rodbertus considers that no factors involved in the industrial process are, so to speak, economically productive, with the exception of labour, the wages referred to are almost certainly the latter. But the difficulty thus involved can be best dealt with by turning to the general aspects of existing social production stated in a modern form, together with Rodbertus' attitude towards such a statement, so far as this can be gathered from his various writings.

§ 15. In a communistic society, or where the solitary man is engaged in economic pursuits, a state of indirect production, that is a state in which capital is involved, presents two features. Some portion of the labour is employed in making instruments

or providing material in place of producing direct means of present enjoyment. As a concomitant of this, certain possible enjoyments are foregone for the present and put off to the future. It would be incorrect to say that the goods which could have yielded this satisfaction are "saved" or accumulated, because in most cases these goods are not produced, others being substituted in their place; but they *might have been* produced by the labour thus otherwise employed. On the one hand, there is indirect employment of labour, on the other, deferment of certain satisfactions, and these two features under the conditions assumed are united in the same person, be it solitary individual or be it communistic society.

§ 16. If, however, we turn to such a society as the present, the same features necessarily present themselves, but with the difference that they are no longer united in the same individual or body of individuals. There is labour indirectly applied, there is a deferment of satisfaction, but neither is it the people who labour who necessarily defer, nor those who defer who necessarily labour. In other words, the two functions are separated, and even if performed by the same individuals, performed as separate functions. Of those working, some are engaged in indirect production, without having passed through the necessary stage of producing the subsistence necessary to maintain them during the additional time required in such case, while the rest are assisted in their work by instruments and indirect means which have been produced without any deferment of satisfaction on their own side. Wages accrue to each and all without delay, and while employed in an indirect

system they obtain their wages as though they were producing directly. They appear to be eating the cake whilst making it, but indirect application of labour implies deferment of satisfaction either by these or others, and so we have to recognize the position of a certain body of other individuals, or even of these individuals in other capacities continually deferring the satisfaction of their desires, and handing over to these as workers the power of enjoyment which for themselves they postpone. It is not handed over without conditions, but in return for the performance of tasks which will obviously bring about the embodiment, in articles forming capital, of means to satisfy deferred desires in the future. In this process, called *replacement*, some people are getting their satisfaction earlier than they would have done but for the action of others, other people their satisfaction later than they might have done. What happens? In return for the postponement of their satisfactions, those who defer, claim and receive a share in the increased productiveness of the society. This share is called interest; it used to be included under profits.

§ 17. Now we come to the consideration of the original point as to whether wages are advanced out of capital. The view taken depends upon the standpoint of the observer. From the standpoint of the individual who postpones they are capital, and this Rodbertus would term private capital; from the standpoint of society, in place of being national capital, they are a part of income. But what income? They are part, if we like the expression, of the national income; they are not the due income of those who enjoy them. Rather it is income transferred to them.

If the fact of this transfer involves no gain to them in utilities at the expense of others, it is, as Rodbertus says, rightfully and already theirs—that is, the fact of the transfer can be neglected. If, again, interest is allowed for, wages will be regarded by others as likewise the right and due income of labour. But what if they gain by antedating, and others lose by postdating, their satisfaction? The element of time is vital.

Though such a presentation of the case differs considerably from that furnished in the literature of the time, especially with regard to the definition of postponement, there is sufficient resemblance to make clear the position taken by Rodbertus in his criticism and objection, while the clearer statement throws more light on what seems to be a fundamental oversight on his part. His objections are various.

§ 18. In the first place, he meets the case as presented by Bastiat in his celebrated instance of the man who made a plane and lent it to another. The illustration may be summarized. According to it, James, a poor joiner, used to work 300 days to obtain his living for the year. By making a plane in ten days, he is enabled to produce many more goods in the 290 days that remain than was previously possible. When William, anxious to borrow it for a year, offers to return a new one at the end, James replies that in that way William would have his task lightened by his work, while he himself would reap no part of the anticipated reward; William is convinced of the justice of this remark, and offers to pay interest for the use of the plane. This illustration might be amplified and put in a more convincing form. But taken as it is, it draws from Rodbertus a very interesting reply:

"Against Bastiat's views there is nothing to be urged except that *it is not pertinent to the present social condition*, that it obscures the main difficulty in place of affording additional light, and that it speciously represents the transaction as taking place between certain two parties, between whom there are no opposing interests, instead of depicting it as it really does take place between other parties." In continuation of this he amends the illustration according to his view as follows: James indeed produces the plane, but it does not become his property. It is the property of an employer Rapax, who gives him in return the necessary food for ten days. Then Rapax lends the plane to William, another employer, who employs John and his other workmen with it, and makes them replace it with much more value in the year. John receives his pittance. Under these circumstances, there is no attempt to condemn the exaction of interest from William by Rapax—from the second employer by the capitalist. Such interest is the payment of a share of the plunder in return for the opportunity of exploiting labour, and so securing it. The obvious retort that something has given Rapax and William their possession, and that this something is frugality, is cited, though not in detail, and then considered by Rodbertus, who seems to admit it as at any rate a possible cause. His answer is twofold. Granted that it be the original cause whereby certain individuals have attained to the position, granted that in itself it were deserving of some recognition, it has been made the occasion for the exaction of far more than was due, and of a system of exploitation continuing to the present day. Even were there room for a bargain, is the bargain between Esau and Jacob equitable? In this

reading, the reason why the capitalist is able to save is due to the large amount he is able to extort from the income of labour, and continues to extort; but there is another view. Private capital does not originate in a bargain, based on the frugality of the one and the want of frugality on the other, but in superior strength whereby one man obtains the mastery over the product of others.[1] So it is in effect decided that the exaction of a share in the product, even if once justifiable, is justifiable no longer; and, secondly, that the share exacted is not measured by any consideration as to relative frugality or advantage.

Taken in conjunction with the explicit absence of any argument against interest in the earlier illustration, this seems to suggest that his refusal to recognize the validity of interest arose from an imperfect view of the element of time, and from a confusion between such a payment and the exaction which private property renders possible.

§ 19. In the second place, a contrast is drawn between the conditions prevailing under slavery and those of a community where personal freedom is guaranteed.[2] In the former the true economic relation existing between the producer and the product is entirely perverted, and the lord is owner of all, product, capital, and the slaves themselves, with the result that he may be said to save the goods which go to their maintenance, inasmuch as he permits some part of their labours to be diverted from the production of commodities for his own use to the production of these. He only saves because he has mastered them and their product. The normal economic law, however, is that "the producer shall subsist on income accruing from

[1] *Zur Bel.*, i. (Third Letter) 180, 181. [2] *Kapital*, 278, etc.; 304.

the previous period of production while he is producing new goods." And in a free community, he adds, the employer cannot save the sustenance or wages of his workmen, because that is theirs already by actual and positive right.[1] But here it must be pointed out that Rodbertus overlooks the case where an individual, while subsisting on the income of the previous period, as he correctly observes, is subsisting not wholly on that which belongs to him, but partly on income belonging to others. In the successive stages of industry a longer time tends to elapse between the beginning and the end of production, the standard of subsistence tends to rise, and, in consequence, the income required for the maintenance must be larger. When such is the case, progress may be achieved, or an advanced position may be maintained, owing to various causes, and amongst others the willingness and ability on the part of some to postpone the satisfaction of their own desires, and to hand over to others that part of the national income which would have sufficed for that purpose. It is a mere matter of nomenclature if this portion be called capital instead of income because it is transferred. Rodbertus was possibly right in terming it income, but he was wrong in terming it the workmen's income in an unrestricted sense. Of course, the person who transfers it cannot regard it as his own income if by that he means the things which satisfy his present desires.

§ 20. In the third place, the assertion cited above that the maintenance and wages of the workmen already belongs to them rightly and necessarily in a free community, requires separate notice, as it constitutes a position distinct from that already taken. For the

[1] *Kapital*, 304.

present let us endeavour to follow out its general bearing. It indicates a power and a right on the part of labour. In the former respect, labour being within the control of the labourer, may be put forth or withheld at his will, and without it capital is of no effect. Now, it is the essential condition of freedom that the will shall be free, but this cannot be the case when the labourer depends for his subsistence on the will of others. His claim is that he shall be able to labour. The circumstances of society and its stage of development have brought it about that labour must be performed in a certain organization, with apportionment into direct and indirect labour; but the rights of labour remain, and so the monopoly of its necessary concomitants presents an anomaly and opens the way to serious injustice. This line of thought is not followed out by Rodbertus, though it seems obviously implied in some of his statements. Apart from its general suggestiveness, its chief importance lies in its connection with the *right to work*.

§ 21. These various arguments and criticisms, in addition to their individual bearing, show very clearly how far Rodbertus was from meaning by interest that which now goes by that name in strict terminology, and by capital that which is now indicated by that term. By the latter he does not, at any rate, usually mean the process, so to speak, of capitalization, while from it he sedulously excludes all food maintenance; nor does he mean by the former a payment for postponement. It would almost seem that the process thus referred to escaped his attention were it not for one reference, which suggests that the true state of the case is that he only considers it as requiring notice under exceptional circumstances. What these are, and

why this is so, must be considered further on. Here we must turn to the reasons which throw this process of accumulation and capitalization into the background. These arise from the excessive emphasis on the absence of the visible payment of interest in the case of either the solitary economic man or the socialized concrete industrial community, and so from a want of thorough analysis of the several points of difference between both of these and modern competitive society. The chief feature recognized, that of private property in land and capital, is invested with such magnitude as to obscure other important differences, and in this respect competition, which really *reveals* the necessity and true nature of strict interest, is treated solely as the cause of something else called interest by Rodbertus. In the other two social stages mentioned above, neither strict interest nor Rodbertian interest *appears*, while in one, that is, the first, there is obviously no occasion or opportunity; so a too exclusive attention to them might well mislead. The immediate causes of misconception were two. In the first place, in both these social stages the answer to the enquiry as to the reason for postponement, or the exercise of labour indirectly instead of directly, was delusively simple. Both the economic man and the socialist community will receive their reward in the increased productivity of labour, and consequently in wages. Any cost incurred in labouring for future in place of present commodities is distributed evenly and proportioned naturally to the advantage derived from more productive labour power; while, except by analysis of the motives of deferred production, and the comparison of these social systems with the present, the composite nature of the income thus received as wages is not

seen. In the second place, it is so obvious under these conditions that the economic man or the socialist community exists during fresh production on his or its previously earned income, that Rodbertus never seems to have inquired whether, under certain other conditions, people engaged in fresh operations might not be subsisting partly on the income of others. Of course, if the income on which the workers of society subsist is necessarily and absolutely theirs, and not merely theirs conditionally, and if capital suddenly emerges in materials and machinery, produced for occult reasons, the whole question of postponement is begged. There can be no allotment of incomes as a compensation for any cost incurred. But postponement is more a matter of income than of capital; it is, indeed, essentially a postponement of income. The arguments in support of interest may be put in the form of a contention that those who receive their income somewhat earlier than they would have done, should receive a little less in amount, and those who receive their income somewhat later, a little more.

§ 22. Under one set of circumstances the payment of some form of interest was indeed contemplated by Rodbertus—that is, when he puts on one side the illustration given by Bastiat with the remark that it is not controversial in itself. The case as stated by Bastiat! So far he goes. He seems to admit, implicitly if not explicitly, the right of labour which produces an article of capital to share in the greater state of productivity which accompanies the use of this capital, and owing to which the replacement involves less labour. Such arises, it is true, in a progressive community when each new capital results in a greater control over natural forces. But if capital be measured

in labour value, even as suggested by Rodbertus,[1] and replaced in labour value, past labour will obviously share in the new productivity. Suppose a man postpones the receipt and consumption of the product of a certain amount of labour, he will share in any new productiveness, whether owing to his own denial or acts is indifferent, if at a future time he receives the product of a like amount of labour. In effect, interest is paid by the future to the present. But this is only one case presented by the problem of capital. In a stationary state there is a maintenance and not an increase of capital. What then? It is here that we obtain the clearest perception of the element of time in consumption; for though capital is not increased, and though no alteration may take place in the rate of productivity, the regular repetition of postponement is necessary to prevent the diminution of capital. This is, however, almost entirely ignored by Rodbertus, who seems to regard the consumption of a given amount as affording equal satisfaction, whether it takes place to-day, next week, or next year. The element of time in its effect on either the individual or the society is left without specific notice.

§ 23. It is possible, indeed, that his brief mention of frugality (*Sparsamkeit*), as securing to those who exercise it a certain additional claim on the product, not wholly unjust under certain conditions, may be construed as a partial perception of the cost of deferment, but his language is not definite enough to allow of any very positive conclusion as to whether the cost or the advantage of deferment is meant. In one sentence he seems to admit the claims of frugality; in another, to regard it mainly as the means whereby

[1] *Zur Bel.* ii. 43.

one man attains to a superior position in industrial bargaining, which will enable him or his heirs to exploit others for all time. At no time does he view postponement as a recurrent process, and as in itself a recurrent *possible* reason for some compensatory payment. His argument is that even if it formed such in the beginning, such payment was more than provided for by the opportunity of exploitation attained through the ownership of capital, and that such a position once attained, replacement of capital and additions to capital were made at the expense of those who would be called in to pay this hypothetical compensation and accredited to the advantage of those who would receive it. Interest in the strict sense sinks into insignificance by the side of that real gain which the owner of capital is able to exact from those engaged in work. Besides the labour obviously involved, there are two factors required in industrial production of any high order. These are the organization of industry in its many aspects, and that deferment of consumption which is necessary to the application of labour indirectly instead of directly. Of these the efforts implied in the former receive definite recognition from Rodbertus, who regards them as of great importance, and, like all skilled labour, requiring high remuneration; but the forces which combine to produce postponement are not taken into any adequate consideration, and we are left in doubt whether they are regarded as needing similar stimulation and payment. But, granted that both alike are met by a part of the total income, such payments must not be confused either separately or together with that share which those who own the instruments and material of production are able to exact. This is what constitutes the real gain of capital

(*Kapital Gewinn*), and it is against this gain that Rodbertus protests. Thus the necessary dependence of industry in any stage on the maintenance of the conditions whereby a certain amount of labour can be applied in indirect production, and the intricate play of motives and forces implied are allowed to fall into the background; and in place of considering the relation between those to whose postponed consumption capital is due on the one hand, and, on the other hand, those using it and those employed in conjunction with it, the relation really taken into account is that which exists between these two latter.

§ 24. The neglect of any equitable necessity of strict interest, though an obvious defect, is not by any means vital to the position taken up by Rodbertus, so far as that is concerned with what he defines as the basis of capital gain, as well as of ground rent, the power of possession (*Besitz*). To make that position good, it is not necessary to disprove the strict theory of interest, but only to prove that the existence of private property in deferred wealth, *when it is being used as capital*, enables the exaction of something other than interest in this strict sense, and something more than need be paid if such private property were not permitted. Postponement of consumption could be encouraged, private ownership in accumulating immediate commodities and the accumulation of the claims to such acknowledged, and the right to interest as a compensation recognized, without private ownership in capital as such or in use being admitted. The prohibition of such ownership is fundamental to the existence of a state or society organized on communistic (socialist) principles, but not so the prohibition of interest, though such a state would probably undertake the work of

capitalization, increasing or maintaining capital by a deduction from the total product before its division among the various members. It is quite conceivable that circumstances might arise to occasion the offer of interest as an incentive to voluntary postponement of consumption on the part of certain among them. In this case they would receive their reward in view of their performance of a function, the costs of which should be borne, and the advantage of which is shared, by the whole society.

§ 25. Rodbertus moreover recognizes the present necessity of private property in land and capital. As an institution it is undesirable in all respects. It stands as a dangerous anomaly in the way of social development, it is the means of exploitation and injustice, it is the central feature of a system of private production which is wasteful and unsatisfactory; and yet for the present it must continue. It must continue, and the unjust gains which it enables must be offered to secure the fulfilment of the risks of organization, direction, and capitalization, which ought to be the function of society acting through a central authority, and which are essential to progress and the barrier against barbarism. But society as yet cannot undertake them, lacking as it does sufficient control, solidarity, and moral will. So it must pay the price.

§ 26. The defect in this reasoning lies in the failure to consider capital in its effect on consumption side by side with its productive aspect, and the consequent disregard of time as an element in the former respect. It is just possible that this is in part due to the view Rodbertus took of capital not only as the necessary condition of a certain industrial stage, but as in part the consequence of that stage, inasmuch as in less

developed conditions there would be neither occasion nor opportunity for so much of it. In this sense society makes possible the postponement which is undergone by the individual, and so the capital is in its turn common social property.[1] Such an explanation is a matter of inference and very doubtful; it is not clearly formulated: in any case it would not obviate the need for investigation into the conditions attending postponement. Yet, with all its faults, the position taken by Rodbertus is full of interest and suggestion. It may be restated.

Capital is a particular social circumstance which conditions and determines the productive power of labour, and as such is the common right of all members of society. When private property in it exists, this common right ceases of necessity, and the actual opportunities of production pass into the control of individuals, whose will becomes dominant and to whose decisions not only others, but the whole of society must bow. And for the present this must continue. Individual property in capital rests on the economic incapacity of society.

[1] *Zur Bel.*, ii. 43.

CHAPTER IV.

THEORY OF DISTRIBUTION.

§ 1. *Connection between theory of distribution and value. After the satisfaction of social needs, the remainder belongs to labour.* § 2. *A part of this abstracted by those who possess, through their power in competition.* § 3. *Ricardian rent and possible reward for abstinence recognized, but not reckoned of great importance.* § 4. *The existence of interest deflects value from simple labour cost according to Ricardo. Rodbertus rather strangely against this view.* § 5. *Distribution as it should be between the state and the individual.*

§ 1. With all its defects, the theory enunciated by Rodbertus has the merit of an attempt to account for the division of the national income completely and on rational grounds. It does not merely enumerate various incomes or payments with some statement of the nature of each, but tries to show that these are exhaustive, and stand in a complementary relationship. They make up the entire total, and thus a change in one involves a change in the rest. With such an aim, the close connection of a theory of distribution with the theory of value is natural, and such was definitely recognized by Rodbertus. Owing to certain forces and conditions an income is produced, and among these must it be divided. But social conditions, while necessary to effective production and so an obvious source of income, are common to all and

so are no cause of value, in this resembling natural conditions, though unlike them in having to be maintained out of the national income. Under them are included both functions of government and the more specific conditions which determine the methods of production. Value, which means the relative position of goods, corresponds with the labour, both direct and indirect, required in their production. From labour commodities derive value, and to labour that part of income which is represented by value is due in return. Of course social services must be paid for; of course the general stage of development in which the community is both as to organization, division of labour, and capitalistic production, must be maintained out of the total income; but in pure abstraction these are paid for before one comes to the question of value. They do not enter into value although a first charge on the social revenue. The income which corresponds in Rodbertus' theory to the added *values* of all commodities belongs naturally to the labour which has produced such.

§ 2. But a large part of that income is taken away from those who work and handed over to others. Not to society, for the share of society is already provided; not to slave owners, for these no longer exist; but to those who have stepped into their shoes, and who by monopolizing the inseparable means of production, capital and land, can force labour to take less than its due. The gains of possession do not accrue by a system of wholesale additions to value, for Rodbertus saw as clearly as Ricardo the absurdity of the conception of a general rise in values. He never spoke of increasing wages by increasing prices. According to him the gains of possession arise as follows: like everything else, labour has its value; its true

value is its full share in income after social needs have been met, but its cost of production value is the amount of that income just necessary to maintain it in life and ensure its continuance through new generations. It ought to have the former, but it can be made to take the latter, and to the latter the stern competition of the owners of capital and land presses it; the difference between these two is surplus value. Surplus value, in other words, is the very ample parings from value which fall into the lap of those who, instead of labouring, sit firmly on the conditions of production at the given time. These pleasant gains are termed rent by Rodbertus, and subsequently differentiated by what seems like intellectual *legerdemain* into capital gain and ground rent.

§ 3. It is true that differential rent or Ricardian rent is recognized, as indeed in certain cases some sort of reward for present sacrifices, or what we should now call postponements, but these are treated as of secondary importance, the latter indeed as of very little moment. Though this is not said of the former, it is obvious that ground rent of this kind is not placed on a level with the other kind. They loom larger since the time when Rodbertus wrote. But however great the importance attached to them, the possibility of such exploitation as that contemplated by him is not excluded. To produce such, nothing more is required than an inequality in competition sufficient to enable one party to dictate terms and to compel the other to accept them, and this, we are told, necessarily follows from the private ownership of land and capital.

§ 4. An interesting point in theory is raised if the existence of such an income be admitted. Its amount

depends on the quantity of labour and has to be distributed among the owners of the opportunities of successful production, according, it may be presumed, to the amount of their capital. Another method hardly presents itself, especially if the Ricardian doctrine of rent be accepted. But in such case, the relation of value to simple labour cost requires revision, since capital and labour in actual fact do not co-exist in invariable proportions. Of this Rodbertus is well aware, so far at least as one kind of case was concerned; hence his struggle to escape from what seems to him a dangerous dilemma by the introduction of a novel ground rent. But the problem is wider than appears in his pages, and this solution, apart from its particular error, is insufficient. Wholly independent of the element of material, capital and labour are combined in every variety of proportion. To Ricardo the position is simple; interest under circumstances such as these is a necessary cause of deviation on the part of value from simple labour cost, and commodities vary in their respective value by reason of the differing proportion of fixed capital to labour, and of the difference of time between their initiation and completion. As a matter of fact, the same conclusion is open to Rodbertus, who in other parts of his writings is eager to distinguish his position from that of those socialists who assert the present tendency to approximation between value and labour cost. Here he refuses to avail himself of the contrary proposition. Curiously enough this same difficulty has proved a destructive solvent of the theory laid down by the more popular writer, Karl Marx.[1] It affects him even more than Rodbertus,

[1] Cf. especially *Karl Marx and the Close of his System*, by E. v. Böhm-Bawerk.

because of the greater part which this theory as a theory of actually existing value plays in his scheme.

§ 5. When such was the description of distribution as it exists, what was the ideal theory which the writer had in mind? By that theory there would be two participators in income, society and the individuals, the former maintaining order, securing progress, directing production, and procuring its requisites as capital, and for these purposes having a first charge on the products of the entire community; the latter sharing what was left over in proportion to the efficiency of the toil of each. But this conception does not exclude Ricardian rent which might either be paid intact as a contribution to the social revenue, or be distributed by reckoning the value of each product at the actual average, instead of at its separate and particular value. Nor does it exclude interest, however much it obscures it; postponement or saving is enforced upon each individual in proportion to his saving capacity, and each shares in like measure in the benefits conferred by capital. So inducement to save and saving proceed side by side. But one thing is excluded; one individual or one class cannot be exploited by another individual or another class.

PART III.

THE STATE AS AN INDUSTRIAL ORGANISM.

CHAPTER I.

EFFECTS OF THE DIVISION OF LABOUR.

§ 1. *New economic community.* § 2. *Community in production.* § 3. *Common fellowship in work.* § 4. *Community in consumption.* § 5. *Fresh economic activities developed.* § 6. *Means of exchange.* § 7. *Direction of industry in relation to wants.* § 8. *General differences between economic systems before and after division of labour.*

§ 1. The Division of Labour in its many forms and developments is responsible for the radical difference between the economic systems of the past and those which exist now or may come to exist in the future. In a sense, too, we are able to make a somewhat similar distinction between the uncertain, partly group and partly state, system which ruled in the early days of national development and that which has developed since local groups and families have, so far as industry is concerned, been merged in the state. To understand this and its inevitableness is not difficult to those who remember that the division of labour is one means, that is the economic means, whereby the state or nation attains to essential unity and is enabled to develop corporate feelings and a common life. All previous unity, despite its political and ethical side, lacked the cohesive bond only to be gained by mutual interdependence in daily work. Before it can be

complete, economic unity in process has to be supplemented by a conscious unity in aim, without which the former is like a vast mechanism with its various parts closely interlaced, but inorganic and uninspired by any vital force and undirected by a central intelligence.

§ 2. It would take long to recount the gradual progress and the pervading nature of this unintentional co-operation, which has modified the conditions of industry throughout the world and been productive of remarkable consequences in many directions. Its growth, indeed, has been an integral part of the history of civilization, and in particular of the growth of national organization. It culminated in the great mechanical inventions of the last century and a half and their results. The development to which such co-operation has now attained is far greater than is often realized by those who choose as the pertinent illustration of the division of labour the different functions performed by those taking part in an industrial concern. That, after all, is but one feature, and hardly the most important. A glance at the operations necessary to the production of an ordinary commodity will serve as an example. Before any such is completed and ready for use it must pass through many stages, the effective performance of each of which is necessary to the whole. Each stage, moreover, comprises many divisions, as the production of raw material in agriculture, mining, and the like. In each division there are different businesses, some supplying one means, others another, while lastly, and as by way of climax, every undertaking is itself an intricate organization of individuals engaged in the performance of specialized tasks. And this, be it

remembered, is the division of labour which takes place in but one commodity, and the commodities which men want are many.[1]

§ 3. In a narrow sense this means increased productiveness; in a broad sense it means something different but equally important. To those who take this view the aspect which the whole movement assumes is that of a resistless tendency towards a community of, and in, labour. In this sense it is the material bond which, out of a mere aggregate of individuals, is able to develop a society; and, as such, it is one of the fundamental conditions—the economic basis—of a social life, in which community consists in *each working for all and all for each.*[2] Common fellowship in work (*Gemeinschaft der Arbeit*) with its far-reaching results is its principle.

§ 4. Next we must turn to the results. Of these some relate to the change induced in the direction of consumption where new wants are developed, and others to the immense differences occasioned between the general features of present and past economic organizations. The division of labour in production has occasioned, almost instinctively, a development in a communistic direction on the side of consumption. Here fresh wants, and these wants that are felt by the community as a body, as distinct from the sum of the individual wants of its various members, are occasioned by the provision of opportunity for their development. While all admit the presence of a body of public wants, few probably realize how large and increasing a proportion these form of the total needs of the community. Among them must be included, not only those which concern the entire body of the nation,

[1] *Kapital*, 81-84. [2] *Ibid*, 80.

but those which concern smaller bodies, as municipalities, and even those experienced by the family, since in all these there is present the element of common, as distinct from individual, need. In some cases, however, the needs classed by Rodbertus under this heading seem rather those felt by a large body of individuals, which, for reasons of convenience and economy, are expressed in a common form and satisfied by common action; but even here there is often an element of community in addition to such expression and action. Many, as, for example, the education of children, are wants experienced because men are creatures of society and not isolated individuals, a fact emphasized by the compulsion used in this particular instance in most civilized countries. Thus, to the more strictly public wants, either of groups or of the entire state, may be added those which are felt in common and provided for in common, though possessing certain individual traits. If this be done, and if all needs which have some common element either in cause, mode, or satisfaction, be excluded, we begin to realize what Rodbertus means by the statement that strictly individual consumption is a decreasing part of the total.[1] Further, as he points out,[2] yet other needs present themselves, which directly arise out of the division of labour, and can only be experienced in a society organized on such a basis. Such are the needs of those who, in return for their immaterial services, share in the income of materially productive labour. The appearance of this class is a result of the economies effected in production, while its numbers form no mean test of the degree of civilization which prevails. Of their countless variety and great

[1] *Kapital*, 91. [2] *Ibid*, 86.

importance it is not necessary to speak. Nor need we lay stress on the position they occupy in the wider division of functions, of which industrial performances are but part. It is equally unnecessary to discuss the wide question whether such in themselves with their consequences fall within the sphere of economic inquiry. The points to emphasize are their connection with material services, and the basis provided for their development by the economical organization of these latter through the division of labour. Alike in growth and satisfaction, artistic, literary, and scientific needs depend on the industrial stage reached by a country,[1] and thus as a consequence, if in no other way, form part of the community of organization arising out of the division of labour.

§ 5. The cause which has thus occasioned a development of common wants, and provided the means of satisfying not only these, but the immaterial needs which find their opportunity of growth in society, is responsible also for many fresh economic necessities and activities. These differ from those already considered, inasmuch as they lie, as it were, in the very mechanism of the new organization of labour. They are part of the process rather than a superstructure built upon it, and are important just in so far as it is important. Exchange in its various practical branches, as for instance money and banking, is organized in institutions which do not serve to gratify independent wants, and can hardly be said, in the actual satisfaction they give, to make the world richer, nor would they leave it poorer by that amount were they not necessitated in the division of labour. They differ in this from intellectual and artistic needs, the satisfaction of which

[1] *Kapital*, 86-87.

is an end in itself, and from social and political needs which are the expression of a common instinct hitherto undeveloped.

§ 6. Foremost among these fresh activities are the means whereby the exchange and circulation of commodities, unfinished and finished, and services are maintained. From the standpoint of theory, Economics undergoes a change, almost a transformation, when we turn from the circumstances of isolated man to those of a society in which labour is divided and diversely apportioned among its various members; for when exchange exists, the three great conceptions of Value, Money, and Credit are encountered.[1] In that primitive economic condition when each individual is engaged in supplying his own wants without recourse to the assistance of others, none of these present themselves. Even value, which is far more fundamental as an idea than either money or credit, and which largely underlies these, is in its social aspect entirely different from the preference entertained by the individual for one thing above another. Value, whether it be estimated in terms of labour or in terms of the satisfaction it affords, is a social conception, and the mechanism in which it is embodied is social mechanism. It is an expression of the function performed by any one commodity as compared with others in the satisfaction of social wants. A considerable part of the operations of a competitive society depends on the ascertainment, mostly by the awkward test of actual trial, of the value appertaining to particular commodities. Money is a chief means of facilitating these operations, and is indeed necessary to them, though it is urged that in a more completely organized

[1] *Kapital*, 97-102.

state the various shares of individuals, both in the production and the division of the product, might be estimated in terms of value without the interposition of a metal money; but in this case the work of money, that is the expression of value in terms of something, either of labour or of another commodity, would still have to be performed. Credit, likewise, finds no place in a primitive economic system. It cannot exist outside society.

In addition to the foregoing, there are developed in economic society, as it grows, many other new activities which do not exist at all in the economic system when the individual produces for his own wants, and which exist in but a rudimentary form in early social conditions. They grow, multiply, and strengthen into prominence as the social element becomes more dominant. As the economic organization increases in intricacy and the distance which separates producer and consumer widens, the task of adapting supply to demand becomes greater.[1] So far is the producer from proceeding from an intuitive knowledge of what is wanted that one of the gravest of his difficulties is the impossibility of knowing for certain that his products are wanted at all. Even if it be obvious that commodities of the kind are needed, over-production will very probably occur and render some part of the goods supplied superfluous. Moreover, the producer is ignorant alike of the place and time of the demand. Hence the operations of trade which, in this sense, are as productive as those of manufacture, inasmuch as they are the means of discovering and supplying the needs of the country. Next to these, and equally indispensable, are the forces and institutions

[1] *Kapital*, 102, etc.

which enable capital to be accumulated and promote its ready transfer to those industries and places where it can be most effectively employed. The necessities of organizing labour and bringing it into due combination, and of carrying out the distribution of the products among those engaged in industry, when their shares have been ascertained according to a scale of value, give rise to still further activities and occupations.

§ 8. In this way the vast difference between the stage of non-social production and that of social production is clearly emphasized. In the latter, not only does the common unified action of the whole society, whether family, tribe, or state, differ very materially from the sum of the actions of the members comprising it, but even in respect of individuals many new activities are generated, which, but for social unity and the welding force of the division of labour, would not be required. It is to these, and to their increase as specialization and the differentiation of function proceed, that Rodbertus attaches so much importance as marking a stage in general development to which recognition must be given in the laws and institutions of the time. What this recognition must be he deals with elsewhere. Here he is occupied in showing the difference between an aggregate of self-sufficient, self-supplying producers, and a community in which labour is divided and some sort of economic unity attained ; whether a recognized unity or not does not matter to the argument.

From this he proceeds to consider how the economic business of such a community, and, in this case, of such a state can be conducted, and further, how it can be best conducted.

CHAPTER II.

ECONOMIC EFFICIENCY OF PRESENT SOCIAL SYSTEM.

§ 1. *Social systems must be tested as the means of carrying on the business of the country.* § 2. *Features of present system: Competition and private property in land and capital. Their connection.* § 3. *Social consequence attributed to these in the depression of the working class.* § 4. *Even when viewed as a tendency rather than a representation of fact this justifies much of the contention of Rodbertus.* § 5. *It is a grave social menace.* § 6. *There are also certain economic results.* § 7. *Misproduction.* § 8. *Competitive waste.* § 9. *Economic effects summarized.* § 10. *Still the system does work.*

§ 1. The present system is a means of carrying on the economic business of the country, but to say this, as a reader of Rodbertus speedily sees, is very different from asserting that as a means it is good and desirable. Still it has the merit of carrying on the business of the country, though undoubtedly the magnitude of this merit will be gauged differently, according to the various views entertained by various observers and critics of the importance and difficulty of mere administration. Rodbertus, who had had some practical acquaintance with the actual problems of administration and knew it as a strenuous task, not as a pen and ink plan, rated it highly, and so was not likely to deal harshly with a system which had endured and was in active operation. This

is particularly true when we come to consider his criticism of it from what may be termed the "working" standpoint, that is, as to its capabilities to do the work required under present conditions.

§ 2. The main features of this system are competition and private property of land and capital, and to these two, and the connection between them, some little attention is due. Private property in land and capital, taking capital in its true meaning as distinct from accumulated wealth, implies the control of the conditions under which men labour by individuals, who in this way obtain the power of directing the machinery of production. This work they themselves perform under the stimulus and direction of competition. Now it is quite true that competition and such private property are two distinct conceptions, but so far as competition is concerned this holds of competition only as an abstract conception, and not as we know it, or again as it would inevitably be were private property in land and capital to cease. The state ownership which in such case must ensue could not but restrict competition within much narrower limits. On the other hand competition is by no means a necessary condition of private ownership, which might well continue and with much more unpleasant results were a combination of private owners substituted for the competition which exists. In itself competition has results wholly different from those which attend private property, and its cessation, so far from improving these latter, would render them well nigh unbearable. With those who view both as evils, whether necessary or not does not matter, the supreme place must surely be occupied by private property, for while its existence gives an undue latitude to competitive forces, the total suppression of the latter

would weld a coercive, if fitful, control into an iron tyranny.

True though this may be, it is important rather in view of the continuance and hardships of the economic system than of its more positive mechanical defects, many of which are traced by Rodbertus not so much to private property as to the action and circumstances of competition.

§ 3. Of course he does not overlook the general evils of our present system. They form the burden of his criticism of private property in its influence on the growth of society in its broad and not purely industrial aspect, where they are treated as involved in the continual depression of the working class. Three propositions embody his teaching on this point. In the first place he contends, as we have seen, that the share of the working class in the total income of society has decreased and continues to decrease. This he considers indubitable as a fact, though, as has been pointed out,[1] it is in reality important rather as a definite tendency which has been checked by remedial measures so far as certain countries are concerned. It is aggravated by the concurrent increase of working-class taxation in the form of disproportionately increased taxes, through a rise by reason of tariffs and taxes in the price of provisions and in general of the commodities on which their wages are expended and by the extension of military service. Lastly, though they contribute according to a scale graduating upward as time passes, they are represented as sharing in public expenditure on a scale graduating downwards, because partaking little, if at all, in the large outlay incurred on behalf of the higher branches of education or

[1] *V. supra*, p. 17.

in the elaborate organization of civil justice and administration which hedges in the sacred rights of property. In other words the share of this unhappy class is viewed as continually altering, and always to its detriment either by way of increase or decrease. If contributions are in question, increase; if participation, decrease. And this, Rodbertus urges, is the normal result of unchecked competitive action in a community dominated by private property in land and capital.[1]

§ 4. These views may be considered from two points of view. They may be upheld or attacked as representations, or rather attempted representations, of an actual state of things, in which case the chief question is one of present facts; while, on the other hand, they may be regarded as an effort to depict a tendency which is either making itself evident through the withdrawal of checks or is stayed from development by their imposition. Rodbertus no doubt considered them from the first standpoint as corresponding to the actual state of things, and liable, if to anything, to gradual aggravation. But this is by no means necessary to his contention. They would be equally effective for that purpose if it could be shown that the condition depicted was tending towards realization in a society under competition and private property in land and capital, though delayed or averted by the adoption of particular checks. Rodbertus himself proposed a means of correcting the evil, and other methods of attaining the same end might not only be possible but actually operative. It is hardly necessary to point out that the judgment passed on the state of things sketched by Rodbertus will differ very much according to the attitude of the student and critic.

[1] *Zur Bel.* ii. 20-36.

Thus it is open to such a one to say that though as an actual representation of affairs, even of the time when it was written, it is totally untrue, it not inaccurately portrays the result which but for certain counteracting influences would have ensued from the forces at work.

§ 5. But even if we admit the truth of these views in either sense, what, it will be asked, is their consequence? They point to a positive source of danger. The stability of a state with a deep-seated and aggravated malady such as this is threatened. Patriotism is weakened, discord fomented, and the power of resisting external attack lessened. The lower classes are sunk in misery and embittered to despair, while the upper classes rest in a false and unreal security, and are at once uplifted and enervated by luxury. The state itself is menaced on every side. Nor are the results much less alarming if we turn to purely economic considerations, for here, as has already been seen,[1] a vicious circle of misproduction is occasioned, and crises are precipitated with increasing frequency.

§ 6. The efficiency of the present system as a productive system must be treated apart from the justice of the social arrangements it entails, and the social advantages or disadvantages which consequently ensue. Of course it is true that even in this aspect a broad and liberal interpretation necessarily introduces considerations as to the effect which a bad method of distribution has in modifying and even destroying the advantages of efficient production, and so in occasioning reaction and future inefficiency; but for the time these can be put on one side and the inquiry restricted to

[1] *V supra*, pp. 86-90.

the way in which productive forces are utilized and economized at present.

§ 7. In this aspect one grave result has been incidentally mentioned in connection with the statement that the share of the working class is a decreasing one, namely, recurrent overproduction and commercial crises. The scientific accuracy of the view Rodbertus expresses as to these is of little importance to us here, because if not due to the cause he assigns they none the less exist, and must be attributed to the general confusion inherent in production competitively organized. Under such a system economically useful actions are those which happen to satisfy wants, but this is very different from saying that economically useful actions are those *intended* to satisfy wants. Here we encounter the central defect of competition, which governs the production of the economic community as strictly as intuition directs that of the self-supplying individual. This defect Rodbertus saw clearly. Competition to him is "blind competition," and "individual economic interests are at the present time usually recognized after the individual has already suffered some damage, after, for instance, the employer (*Unternehmer*), directing a particular manufacture, has put too much on the market";[1] a state of things quite inevitable when "each capitalist produces on his own account without being able to anticipate the production of others."[2] Granted, Rodbertus says in effect, that the chief object of any economic system is the adaptation of the productive powers of a nation to the satisfaction of its wants, let us examine the means for the achievement of this task present in a competitive society with private property. How does it set

[1] *Kapital*, 17. [2] *Ibid.*, 164.

about this actual piece of business? On this point he wrote much, striving as a rule to describe the mechanism of the present system in such a way as to contrast and compare it with that adapted to a society in which private property in land and capital did not exist.

§ 8. The aim underlying the economic systems both of societies and individuals is the adaptation of means to an end, of productive forces to satisfy wants, and to satisfy wants as fully as possible. But in a competitive system the object of those, on whose efforts the fulfilment of this purpose rests, is radically different. They aim at an individual return, wholly regardless of the consequences their action may have on others whose interests they only regard so far as they subserve their own. Of course they desire to produce what is wanted, but not because it is wanted; only because were it not wanted, their own effort would go unrewarded. And if only they could know beforehand what efforts would be rewarded and what not, the economic inconvenience of this method of production would be largely obviated; and blind competition would be restricted. But success waits on the event, and men first know for certain that their efforts have been rightly directed when they have been performed and are being rewarded. Their judgment as to what will be wanted is a forecast of the future by the past. But this must to some extent always be the lot of a society in which production proceeds in a somewhat intricate course, where preparation for production must of necessity precede by days, weeks, and years, the experiencing of the wants, and so far it in itself cannot be reckoned to the discredit of the competitive system, save in so far as this aggravates the

difficulty and evils. This, however, it does in several ways. In the first place the individual acts without sufficient knowledge of the whole conditions of the community and of the real order in which wants are related among themselves. In the second place individuals act independently of one another with the not unnatural consequence that a demand rising into sudden prominence usually attracts too many producers into the market. Or again, one man will strive to oust another from a trade in which he is meeting existing needs with fair success, without any regard for the loss thereby occasioned to the country as a whole by the annihilation of a business and the disuse of plant; whereas if his efforts had been directed into another channel the total satisfaction resulting from the efforts of the two would have been much greater. In the third place the very intimacy of the connection between the various forces engaged in production when coupled with the diversity of aim among those who control its operations is a frequent source of loss. Faculties already acquired are disused, material is unwrought, and machinery is idle, not because their results are unrewarded, but because the immediate interests of the economic directorate, as Rodbertus terms them, lie elsewhere. Lastly, the private interests of these often cause industries to be maintained in places and under conditions which are not the most favourable, and processes of manufacture to be kept secret and made subservient to monopoly. In these cases there can be no pretence that the interests of the community coincide with the interests of the individuals who control production.[1] Put briefly, the two charges resolve themselves into misproduction and costly production.

[1] *Kapital*, 169-174, 197-199.

Such are the features of present industry. They are the result of that private ownership in land and capital which makes competition what it is and places the direction of the forces of labour in the hands of those who possess these and use them. The alternative to such a system is the concentration of land and capital, the conditions of production, in the hands of one; and that one must be the nation itself, otherwise society would retrograde and pass back into that earlier stage in its history when all things, conditions and persons alike, belonged to the tribal head.

§ 9. That without private ownership in land and capital competition would be something other than what it is, is obvious, and this might be taken as a proof of the statement that its existence necessarily places the direction of economic affairs in the hands of those who own. But Rodbertus rests his assertion on the facts of commerce and industry where it is capital which employs, capital which determines, capital which directs. In other words, the conditions under which production must take place at the given time are owned by a few, who separately determine what shall be produced and what not, influenced of course as they are by the demand for goods, so far as this affects them through the medium of their own interest. And the consequences are inevitable. National production, for national it is inasmuch as the country is one indivisible producing entity, takes place in accord primarily with the needs of those who own (*Besitz*), that is with their hope of gain, and only secondarily with the wants of the country and of the working population. Further, owing to any one of many possible contingencies, labour and capital, standing ready to produce,

often remain unemployed and suffer detriment and decay.[1]

§ 10. Still, somehow or other, production does continue; somehow or other, the more pressing wants are satisfied; and so, though the cost is heavy, the danger pressing, and the waste terrible, the present system has claims, in the eyes of Rodbertus, on our consideration. Its claims are valid till a feasible alternative to it is brought forward.

[1] *Kapital*, 200.

CHAPTER III.

ECONOMIC EFFICIENCY OF SOCIALISM.

§ 1. *Social systems of past and present differ in two important respects from that contemplated in the future.* § 2. *Three tests of efficiency suggested.* § 3. *First, as to successful correlation of production and national wants.* § 4. *Secondly, as to economical and profitable conduct of production.* § 5. *Thirdly, as to rational and equitable distribution.* § 6. *Main conception of the future system.* § 7. *Not communistic in sense of equality. Advantages of this system, and its freedom from certain commonly alleged defects.* § 8. *His grounds for belief in its ultimate practicability and introduction. Want of pertinence in certain objections to scientific socialism.*

§ 1. In strong contradistinction to the system described and criticized in the foregoing chapter is that which Rodbertus deems possible in a highly developed society. Between the systems alike of the past and present, and that of the future there are two main differences. In the former, private property in land and capital is recognized; in the latter, private property will not exist so far as these, the agents of production, are concerned. Again, the state itself will undertake the organization and direction of the productive forces which hitherto have been applied under the guidance of those owning the land and capital, and in response to motives of self interest on their part. These two differences are, as Rodbertus saw, closely related. They

are mutually interdependent. Private ownership of land and capital cannot be separated from private control of industry, and the owners of land and capital inevitably will direct the latter. Now the economic system which he hoped would be established in the future involves change in both phases. As to its nature and ultimate triumph he had no misgivings; in reply to von Kirchmann's assertion and even accusation that in point of fact he was urging that there should be a central economic authority, owning the capital and the land, and directing the application of capital and the manufacture of raw material, "and in fact regulating the whole business of production and distribution," he answers quite explicitly, "not only am I of opinion that an organization can be soundly and economically devised whereby private ownership in land and capital can be dispensed with and property restricted to its former and original premises, but I believe that such an organization will be developed in the very form you have deduced from my previous contentions." It is true indeed, that close on this follows the emphatic declaration, "but I am very far from proposing such an organization as suitable for the present time." This assertion with the reasons underlying it may be left for after-discussion. At present we must turn our attention to the examination of the economic features of the system as they are depicted by the writer.

Its two main conditions have been stated. Private ownership of land and capital would not exist, and, as the inevitable outcome of this restriction on private property, the state would undertake the active direction of industry. The nature and results of this state direction require consideration before such can be acquiesced in or advised.

§ 2. Three tests of a successful economic system are proposed by Rodbertus, with reference to which the suggested substitution of state for private industry is to be judged. Such a system must conduct national production in such a way that it may correspond to and satisfy national demands and wants. Secondly, trade and production must proceed under the best and most economical conditions. Thirdly, distribution or the division of the national income must be regulated by comprehensible and rational, and not by purely arbitrary, rules.

§ 3. As regards the first, he urges very emphatically that the main, or, at any rate, the particular difficulty of the proposed system does not lie, as is commonly supposed, in the difficulty of knowing what things are wanted in the abstract, but in the far greater difficulty of estimating what must be produced in view of the limited time and force at the disposal of the community. The needs of a community can, he says, be indicated with fair accuracy; they succeed one another in well-ascertained succession, and not only so, but the quantities of commodities necessary to supply the various wants are likewise known. But here the difficulty begins. The question to be considered by those directing production is not what are the absolute needs of a community, but how must the limited forces at their disposal be applied so as to produce the maximum amount of satisfaction. In other words, we want to know how far the different needs can be respectively supplied when the means for satisfying the total needs of the society are limited. This, however, is no new difficulty. It is common to all systems of production, and the chief difference between the system under review

and those which are individualistic in character, is that while in these there is no means for forming a comparison between the forces of production and the national requirements, in the former a fairly good estimate can be arrived at as to both the total needs of the community and its available productive powers. In all systems some sort of equation between supply and demand must be attempted, and systems differ, not in some escaping and others involving this operation, but in the different means they adopt of solving the problem. In this respect the state system possesses, according to Rodbertus, peculiar advantages. It openly faces the difficulties and seeks to overcome them. National demand is capable, he thinks, of statistical computation, and by taking the average requirements of individuals some approximation to the truth would seem possible. But its greatest advantages lie not so much in this, as in the opportunity it offers of computing the restriction of productive powers under which the community is situated. As has been said, the main difficulty consists not in knowing what things would be wanted were productive powers unlimited, but what things are wanted when productive powers are definitely limited. To have any notion of this implies some knowledge of the force within the community; and such a knowledge is possible only in a state system of industry. However imperfect its estimates may be, and however incomplete its knowledge, it alone can, he contends, approach the task of equating supply and demand in any other than a conjectural and empirical way. But even were it without these advantages it would still possess the same means as any other system of determining what and how much is required in the future, by a reference to past and

present production; not only so, but those who under it direct the operations of industry will be swayed by a desire to produce what is useful and not by motives of private interest which often result in attracting too much labour into one employment, and leaving too little engaged in another. Still the main advantages lie in the knowledge of the labour power at the command of the society, and so in the means of estimating the various quantities of commodities which can be advantageously produced; and finally, in the fact that the production of any commodity will be undertaken, firstly, in view of some estimate of the total amount required, and secondly, not, as at present, in blind ignorance of the amount of effort elsewhere directed into this channel. Labour-time (*Zeitarbeit*) is a means of comparing productive power and wants,[1] and a society which knows its own disposable labour power is in the condition of the individual who, in full knowledge of his powers, sets to work to satisfy his wants as fully as he can. Against this analogy between a centrally organized society and the individual, several criticisms can be urged, which Rodbertus proceeds to anticipate. Firstly, differences in the intensity of the labour involved in different productions prevent such *labour-time* from bearing an invariable meaning. Secondly, labour is performed with very varying degrees of skill and diligence. Thirdly and lastly, the productive power of labour is constantly changing. The two first difficulties are met by establishing an equation between the different kinds of work embodied in the conception of a labour-day, varying in length according to the work, and the calculation of such according

[1] *Kapital*, p. 126.

to the performance of the average man. Thus the labour-time to be used for meeting the wants of the community must be treated as composed of normal labour days. If a man, for instance, can, and will, labour for 300 days, of which ten are deducted for public duties, the number of days left for the ordinary production of commodities is 290; and by the help of the conception of the *labour-day* and of the normal *day's work* (*Tagewerk*) it will be possible to calculate how far these will go towards covering the wants of the community.[1] As for the further difficulty involved in the constantly changing efficiency of labour, that will be easily met by frequent revision and the application of the surplus force to other employments.

§ 4. To come to the second point: the performance of production in the best and most economical ways. Three advantages are claimed by Rodbertus. The first is the release of production from the burden of monopolies, combinations, secret processes, and the like. The second is the new position held by capital. Private saving will find no place, for just as much labour as is required will be directed to the production of capital commodities, which form a first stage to the production of those things which serve to satisfy the tastes and needs of the various members of the community. Capital will cease to be the dominant influence and will fall into its natural place in the general process of production, and its replacement and further increase will take place as required. The third advantage lies in the closer relations between labour and needs. At present labour waits on demand, and the labourer may hunger and thirst, be in want, and

[1] *Kapital*, 131.

yet remain idle. Such a singular condition, save as a fortuitous occurrence, would not be possible to the individual engaged in self-maintenance, nor would it exist in a state-organized system. In such a system labour means the opportunity of satisfying wants, and there will be no unnecessary and harmful delay in bringing about this result.

§ 5. Lastly, the total product or the national income will be divided among those taking part in active production according to their respective labour. The main difficulty in the way of such distribution has been anticipated in what has been said with regard to Labour-Days and normal working power, for these conceptions are necessary to secure true equality, that is, a real correspondence between work and wage, or work and income, to put the matter more correctly. Each must be paid according to the average work done in the normal working day of his particular branch of industry. As previously shown, Rodbertus' treatment of value, that is of the labour value theory, is to be read in the light of this explanation. His argument is not that labour is the invariable foundation of value, but that value corresponds to labour in a society so ordered by economic authority that labour is duly applied to the satisfaction of those requirements which, given the labour power of the community, are the most urgent. As a matter of fact some such application of labour is assumed in all individualistic systems which are *economic* in any true sense. To the argument that since production takes place under very varying conditions, differential rent must arise, as value is determined by production under the least favourable circumstances, Rodbertus has an easy reply. While such must be the case in our present system, and indeed in any system which allows

these conditions to be the property of an individual or an association, even of local productive or co-operative associations, it is in no wise necessary when these belong to the whole community. Value then can be determined by the *average* cost of producing the amount of commodity made at the time; and thus, without injury or injustice to anybody the division of wealth among the various individuals is proportioned to their labour. The suggestion that such an organization is communistic in a bad sense is warmly repelled and disproved by a sketch of the mode in which distribution would occur. To communism in distribution this whole system is opposed by reason of the prominence given to labour as the condition of all sound progress and the chief principle of social production and distribution.[1] According to it everyone has a claim to the full *value* of the products of his labour, that is to a duly proportionate share in the total social income after deduction has been made for the satisfaction of common social wants, which constitute a first claim on the earnings of a society in which division of labour exists.[2] The conception of a state of things in which the *total* products would be distributed according to the normal-labour-time (*Normalarbeitstag*) of those engaged in production is, Rodbertus says, a pure chimera (*die reinste Chimäre*), for national work is performed under social conditions and necessitates the action of social functionaries. Such social functions he divides into three classes, according as they are concerned in, firstly, the maintenance of a certain condition of efficiency which is obviously the task of the state, and in which replacement and, when required, increase of capital are an important part; or secondly, the preservation of order;

[1] *Zur. Bel.* ii. (*Die Forderungen*), 210. [2] *Kapital*, 135.

or thirdly, the direction of labour into its necessary channels, a duty once performed by the owners of land and capital, but henceforth undertaken definitely and scientifically by central authorities (*Behörde*) on the part of the nation.[1]

§ 6. This in outline is his view of industrial organization as it might, and as it should exist. In one sense it is, in another it is not, an ideal. It is not an ideal in so far as such implies the transformation of human nature and its entire purification from all selfish motives and ignoble instincts. It is an ideal because in it he sees a society reasonably and intelligibly organized, working without waste, and with its labour consciously applied to the satisfaction of its needs in their due order ; a society, moreover, which might hope to endure, being freed from poverty on the one hand and the baneful influence of luxury on the other.

§ 7. The advantages of such a system and its relation to the spirit of true communism is shown largely by a comparison between it and the present individualism. But it is objected by some that any communistic element implies an equality which is both an inequality and an injustice. Such is not the case with the social condition sketched above. "It is true that the land and the product of the people's work remain the property of the people as a body, that is, of the state, the last indeed only till it is distributed as income. But none but the individuals concerned have any rights over the separate incomes, or over the person and will of the individuals themselves. Private property coincides more nearly than before with the total value of the product of the labour of the respective individuals, and both person and will are

[1] *Kleine Schriften* (*Normalarbeitstag*), pp. 345 etc.

free to an extent which is only possible in society. No one is forced to labour, and he who works does so of his own accord. The duty of passive obedience does not extend farther than is required by the will of the people, the expression itself of the sum of the individual wills. No greater amount of regulation is involved than would be required in any form of free association. Life, talent, and skill remain individual property. No form of private association which is only concerned with income is forbidden; though, equally of course, none can be permitted which involves private rights over capital and land. The strong have not to perform the work of the weak, nor the diligent that of the idle, nor the skilful that of the unskilled. No further renunciation of individuality is required, and no greater personal subordination to society, than is always inevitable in a condition of democracy and political equality. So there is neither exploitation of the weak by the strong nor of the strong by the weak; but each man exploits himself. Such a social condition does not rest on oppression and servitude, but on the voluntary performance of obligations, of those obligations, that is, on whose due performance a free state everywhere depends. The individual is not hindered from working at what he wishes, and when and how he wills, save in so far as the circumstances of nature set limits to his choice. In a word, the economic condition thus depicted, despite all community in the ownership of land and capital, places no restriction on the free use of our capacities, higher inclinations, and instincts. I assert still more. Under these circumstances, with common ownership of land and capital, not only is property better assured, liberty greater, and equality more general, than to-day or in

any conceivable society where private property in land and capital exists, but property, liberty, and equality, both together and separately, are first capable of satisfactory realization."[1] He turns then to a brief contrast between the present and the possible future state in these three particulars, concluding with the assertions that these from being mere expressions as at present can be made realities. "It is not individualism, but socialism which concludes the series of emancipations which began with the Reformation."

§ 8. In support of his contention that such a society is in the process of evolution he adduces the evidence of history, of modern tendencies, and of economic theory, all of which point in his view to gradual development in this direction.

Of course the scheme delineated by Rodbertus is open to criticism, but in many cases the criticism is not so much directed against the scheme itself as against the difficulties involved in national production which have to be encountered somehow, and which Rodbertus argues might be most advantageously met in the way he suggests. Thus the argument that the present system is large and that a central organization on so large a scale must fail, must be put side by side with the fact that at present production is just as large and takes place without any intelligible guidance. The only point in the criticism is that the former has not been tried and the latter has; and this, as we have seen, Rodbertus is willing to admit. Again, the difficulty of equating labour with needs, and making it supply these in their due order, exists now, and here it would seem that a system which

[1] *Kapital*, 212-214.

attempts to bring about this correspondence ought not to be at a disadvantage compared with one which has no such conscious motive. Still there are, it must be added, certain other grounds of criticism, some of which at any rate do not escape Rodbertus, as his conclusion recorded in the next chapter shows.

CHAPTER IV.

PRESENT IMPOSSIBILITY OF SOCIALISM.

§ 1. *Avowal of its present impracticability.* § 2. *For this several reasons alleged.* § 3. *The chief reason, the want of moral strength and of appreciation of civilization on the part of society.*

§ 1. "I am very far from proposing such a system as suitable for the present," are the words with which Rodbertus concludes the warm avowal of his belief, not only in the general advantages of the social state he has been describing, but in its ultimate practicability. With such a belief a reader may wonder why he deems this system unsuited to the present age.

The unsuitability of which he speaks is not due merely to the time which must necessarily elapse before such a system can become part and parcel of the society, that is, can become its natural and accustomed form, and not an artificial form in to which it has to be forced. Rodbertus understands all that is implied in this. He does not imagine that the organization of a nation can be of sudden development; he knows and acknowledges the need of growth and evolution. But this is not the chief reason why he deems the advent of a fully-organized socialism so far distant. His reasons are far deeper, and must be sought in his initial views as to the conditions

and nature of progress. His confession, for so personal is his tone that this term is the most applicable, can be given in his own words.

"I certainly do not believe in the absolute necessity of property in land and capital, but I believe in its relative necessity, that is, so far as the present is concerned. I believe, it is true, that science understands how to replace the economic functions performed by the owners of such property, but I do not believe that the free will of society is strong enough to-day to render unnecessary the compulsion to work which this institution exerts."[1] "I do not, for instance, believe that *Free Labour* would as yet display sufficient care for art and science, the highest aims of civilization. For whatever individualists may assert to the working class, at the present, and indeed so long as property in land and capital exists, labour is not free. To-day society is compelled to labour beyond what is absolutely necessary, and so to encourage art and science. It is compelled to do this because the material means of carrying on these higher developments of life, are provided by the rent which is deducted from the product before that goes to support those who work. So those who work must work the harder. It is still compelled, just as it always has been compelled; true though it be that property in land and capital marks the last stage of this compulsion. True it is that it were well if society could rise out of this last stage. It were well if 'the Training of the Human Race,' in which the extravagances of the individualistic system are, as we can see, but an evil and wasteful intermission (*Freistunde*) had so developed the moral side of individuals that they would devote themselves freely

[1] *Zur. Bel.* (Third Letter), 329-330.

and voluntarily and sufficiently to labour. I say *individuals*, and include under that term him who possesses as well as him who works, for enjoyment in art and science, where no trouble is implied, is but a poor test of appreciation: I say *training*, because compulsion and discipline have ever been schoolmasters to bring us to liberty,[1] and always will be, however much the particular means of training change. They remain so when the compulsion of privilege, the right of person over person, is replaced by the compulsion of like social institutions, to wit, private property in land and capital; and again when simple natural forces, as the growth of population, supply the place of these last.

"After slavery was recognized as evil by the loftier spirits of mankind, a thousand years elapsed before its last traces were effaced even in the civilized countries of Europe, and though history moves more rapidly now, on the other hand, property in land and capital is far more firmly rooted in society than slavery was."[2]

[1] Cf. *Gal.* iii. 24. [2] *Kapital*, 226-8.

CHAPTER V.

TEMPORARY MEASURES OF REFORM AND REMEDY.

§ 1. *The delineation of ideal economic schemes less pressing than the discovery of means for preventing the further depression and exploitation of labour.* § 2. *Three things required to effect this.* § 3. *The most important the prevention of relative as well as absolute fall in wages.* § 4. *The normal work day.* § 5. *Its use to express value and wages.* § 6. *Its ascertainment the function of the state.* § 7. *Practical use to be made of this.* § 8. *Its rationale.* § 9. *Modern progress and the remedy suggested by Rodbertus.* § 10. *Other practical reforms; the landownership question.* § 11. *Wider reforms suggested; subordination of political to social reform* § 12. *Reforms in system of taxation.* § 13. *New methods of economic teaching and their effect.* § 14. *Sagacity of Rodbertus as shown by course of events.*

§ 1. So convinced is Rodbertus of the unfitness of people as yet for the high form of organization which he foresaw, that he reckons it a waste of time to enter upon any minute discussion of the precise mode which such would assume. The task, he says, would not be difficult, but in point of practical importance it is far surpassed by the need of devising means whereby present difficulties and hardships may be met and labour protected against further encroachments on its due by those who own the land and capital. History has always advanced through the avenue of compromise, and so some compromise

between labour and private property is the next step before us[1]

§ 2. There are three pressing needs. In the first place, as the system of ownership does not admit of immediate or radical change, rent, interest, and profit must be carefully restricted in amount, and their further increase guarded against. Secondly, wages must not be allowed to fall either absolutely or relatively, that is, means must be taken to prevent the continual diminution which tends to take place in the proportion of the produce falling to the lot of the wage-earners or labour. Wages must form the same share of the whole. In the third place and lastly, the working class must be protected from mischances which issue in a want of work, in degradation, degeneration, or even starvation. These various ends may be sought in different ways. So far as the first is concerned, many means present themselves, and much can be achieved by a well-directed system of taxation. Again, the third can be attained by direct employment. But Rodbertus points out that if only wages can be prevented from diminishing either in quantity or proportion, the other needs are largely if not entirely met. Undue luxury will be restrained or rather deprived of its injurious character, and, in fact, almost cease to be luxury; while, on the other hand, *one* leading cause, or according to him *the* leading cause, of poverty and commercial crises will be removed.

§ 3. Thus the most imminent practical need of the day is the ascertainment of the best means of preventing decrease in the proportion of the product falling to wages. First of all, it is necessary to discuss what is wanted, then

[1] *Kapital*, 228.

to consider how it may be achieved in the existing condition of society. Rodbertus remarks that the popular demand for the regulation of the time of work is strangely futile, and that a normal working-time (*Zeitarbeitstag*) will achieve little or nothing. What is wanted is a unit of work which will constitute the working day, and be performed in hours differing both according to the nature of the particular task and the energy and skill of particular workmen.[1] Even when a working day (*Werkarbeitstag*) is ascertained, something else remains to be done, namely, to determine the proportion of the product due to the performance of this unit of work. "In each occupation the state must determine the share which the employer must pay to his workmen for each full work day as described above. Such proportion will, of course, be subject to periodical revision to meet the increased productivity of human effort."[2] Wages paid according to such a scale will be paid on a basis of piece-work, but on a basis of piece-work which has all the advantages and none of the disadvantages usually attaching to such a system. Each occupation will be ranked according to the demand it makes on labour, both in amount and intensity, and everyone engaged in an occupation will be paid according to the merits of his work. Thus ten hours in one occupation will be reckoned as equal to eight in another; and taking one employment by itself a skilful and energetic workman will be ranked as earning at the rate of nine hours in eight. The objections, on the other hand, usually alleged against piece-work will not exist in this system taken in its entirety; for so long as the *share* of the product due to wages is ascertained and fixed, it will be impossible to take advantage of energy

[1] *Kl. Schriften*, (*Der Normalarbeitstag*), p. 338. [2] *Ibid.*, 339.

and skill to reduce average wages so that the employer may gain the advantage of the greater energy evoked by the belief that reward will be commensurate with work.

§ 4. The measure thus determined (*Normal Werk-arbeitstag*) will be used for two purposes: that is, firstly, to express the value of commodities, and secondly the amount of the wages. The two do not correspond, for the total produce has to cover not only wages but contributions to the general expenses of the state, as well as the expenses of management and direction which at present appear largely in the form of rents, profits, and interest. Value, however, is to be translated out of money price into terms of normal-working-days, and then the proportion due to labour being fixed, the wages can be similarly expressed.

§ 5. The determination of the normal working day or the unit of labour, as also of value, will be the task of the state, which, acting through a central office, will estimate firstly, the respective duration of the labour day for the various occupations; secondly, the amount of work which the average man working with average diligence can perform in any occupation in the given time; thirdly, the value of commodities expressed in terms of the working day unit; and, fourthly, the proportion of the product to be apportioned to immediate labour.

§ 6. But still the method of using this system of calculation remains to be settled. The task of the state is incomplete.

In the third section of his pamphlet on the *Normal-arbeitstag*, as also in his treatise on *Kapital*,[1] Rodbertus turns to the question of practical application under the

[1] Cf. *Die Forderungen.*

existing conditions of society. For this purpose three things are necessary. Firstly, the value of commodities, *at any rate of commodities used by the working classes*, must be expressed in terms of the normal work unit. Secondly, the share falling to wages must be fixed. Thirdly, institutions must be devised whereby we can ensure the exchange of wages, thus measured, or rather their certificates, for goods whose value is similarly expressed. So much has been said with regard to the first two that it is only necessary here to point out how carefully he limits his propositions in view of existing conditions. But the third point needs particular attention as it brings us to the practical means whereby he hoped society might be secured and labour safeguarded in the enjoyment of its due without any radical subversion of the present system. In effect, production is still to remain in the hands of private individuals. The state, however, will advance loans to these, the employers, in paper certificates drawn up in terms of the normal work day. These loans are to be of the amount which the employer has to pay in wages; and in return for them the state will receive on their completion goods equivalent in value. These goods will be stocked in state stores or markets, and there exchanged for the work day certificates which will come into the hands of the workers. So far as can be understood, for the present the operation is to be limited to businesses producing goods consumed by the working classes; but this is not explicitly laid down. Its determination either way involves a certain amount of difficulty.

§ 7. At first sight the object of this somewhat intricate system may seem obscure, but when duly considered it is evident that whatever its other defects and difficulties it is carefully designed to secure to the

state the power of regulating the *share* of wages in the product throughout a large range of occupations, and this, of course, is what its author sought. The state makes compulsory purchases of the chief commodities of life at prices which are fixed by its own advisers on a scientific scale of value, and then distributes these as wages to those engaged in the production of the commodities, according to demand and in proportion to their efforts. The rate of wages in these employments will presumably, supposing the system to be limited to the goods consumed by the working classes, affect wages in other directions, and so bring about the maintenance of general wages as a definite proportion of the whole produce. In other words the relative share of wages in the total produce of society will not alter as productivity advances; and so the dangers pointed out elsewhere will be avoided, or at any rate minimized.

§ 8. The measure thus presented has been much criticized, nay condemned, on the ground of impracticability. Yet a final decision as to the merit of this part of the work of Rodbertus rests on something wider than the technical possibility of the particular method whereby it was sought to remedy the defects of existing social conditions. Before treatment there is diagnosis, and the cause of these defects and ills must be scrutinized. Was Rodbertus right in contending that it was the tendency of wages to fall with the advance of productive power? If this be granted, it must next be asked if he was right in his belief that the permanent rectification of such a condition of things lay outside the power of individuals and individual combinations, and required the action of the state. Only when these questions have been answered, do we come to the practicability of the particular means proposed. That

he considered it not only possible, but comparatively simple in practice, is evident from his language; and indeed it is difficult to say decisively that it is necessarily impracticable. On the other hand it is easy to show that history has proceeded by other paths to its goal. Trade unions and other associations for mutual support have been the main force to prevent any decrease in the share of the income of labour, and to bring about its absolute increase; and yet they receive scant recognition from Rodbertus.[1] While this is partly due to their comparatively minor importance in those early days when he elaborated his theory of society and social progress, it may be doubted if a wider acquaintance with their action and progress would have modified his opinion. They introduce a new stage; they achieve a temporary success; but they are not final. For this one reason is sufficient; their achievement is purchased at the grave risk of permanently arraying the industrial world in two hostile camps of employers and employed. It is the merest commonplace to point out the important functions performed by the state at the present time, both in regulating from above the conditions of this competition, and further in influencing its direction by its own action as an employer. If then, the proportionate increase of wages is the great need, and the aid of the state must be sought sooner or later for its permanent establishment, Rodbertus was right in two out of the three points under review: and though, no doubt, he vastly over emphasized the importance of the particular method he suggested, there are no adequate reasons for dismissing it with

[1] Still in one place he writes, "Against social forces working in one direction our only help lies in social forces working in another. Labour associations are to-day the counter-weight to capital." *Zur Erklärung und abh. der heut. Creditnoth des Grundbesitzes*, p. 82.

ridicule as a hopeless and wholly impracticable expedient.

§ 9. Abundant other instances present themselves of this readiness to turn from projects of ultimate and ideal reconstruction to the definite practical consideration and remedy of existing difficulties and hardships. Many, if not most, of his minor pamphlets have this object in view. Sometimes that lies in a political direction, as in the pamphlets of 1861, sometimes in one that is purely economic, as in the *Preussische Geldkrisis*. But the most important of the questions not directly involved in general social theory is that of landownership and its burdens. To this he devoted much time, as is shown by the number and length of his writings, and considerable energy, which found vent in the agitation for redress by those concerned for the future of the landed as opposed to the capitalist class. To put the matter briefly, he attributes the prevailing embarrassment of the land in the main to the constant fluctuations in its capital value owing to alterations in the general rate of interest, and the remedy he suggests is that land should be bought and sold, inherited, and mortgaged, not in terms of capital value, but of rental or annual yield; that, in other words, it should be formally treated as a source of rent. A piece of land then would be described not as of such or such value, but as yielding a rent of a certain amount, and so in a partition of land or in a mortgage the sole title acquired would be to the amount of the rent thus denominated. The consequences and workings of this change, which here would lead us too far from the general tenor of the social philosophy of Rodbertus, are treated by him in great detail and always with reference to practice.

§ 10. But practical reform, in his writings, goes much further than a particular remedy for the most pressing evil.

In the first place, he points out the necessity of subordinating political reform to social reform. The advocacy of democracy in the teaching of the democrats is premature in his eyes, and so a positive source of harm. It impedes needed reform by confusing issues in the political with those in the social sphere, and by so doing postpones the time for reform in the latter direction. And yet again he takes issue with its supporters on the ground that the form of government most suited to existing circumstances, and alone strong enough to bring about the social readjustments so keenly needed, is a monarchy, and a strong and effective monarchy.

§ 11. In the next place, he suggests the necessity of great fiscal modifications with a view to the alteration of the balance of taxation, so that it might press heavily on wealth and property in place of burdening income and especially the income of the manual classes, as he considers is the case at present. One means to this end is the introduction of a tax on property in capital in addition to and in distinction from the tax on income arising from labour or property.

§ 12. But there is a third way in which he thinks the cause of social reform might be aided. That is by the remodelling of economic teaching and theory. The individualistic conceptions of private production which underlie these in their present form, tend to rivet the existing competitive system on to society by their obvious suggestion that it is normal; a position which he contests and which he takes as disproved since division of labour has grown into prominence. In con-

tradistinction from its custom economic theory should start from the conception of division of labour, with its necessary corollary in a national economic unity, and then work down to the explanation of phenomena as they surround us, instead of striving to work upward from these, a course which results in treating society as though it were merely the numerical aggregate of industrial individuals.

Such a system of economics would consist of three main parts.

In the first part, and in the first subdivision of that part, a descriptive explanation would be given of society as an economic and industrial body, consolidated by the division of labour into one corporate working whole. National labour, the complex of productive forces—variously divided into extractive, manufacturing, and those facilitating transport—and national property—both land and capital—would be treated and shown to result in the total national product. National productivity or the rate of production, which determines what the product is and how efficient the labour, would be defined. This preliminary work of exposition must next be supplemented by the consideration of the means whereby these conceptions can be, and the extent to which they are, carried out. Such fulfilment rests on the institutions of the time, and these would now come under review. Of these those affecting property, either in income or in instruments of production as well as income, are the chief. Here the differences occasioned by differences in these would be discussed. A second subdivision would deal with the changes occasioned by alterations in the forces engaged in production and their efficiences, mainly, indeed, so far as these affect the divisions

of the national income. In a third subdivision, state expenditure, state needs, state means in taxation and finance and the like, would receive attention.

In the second part of this new system the student would be directed to the consideration of the consequences and dangers growing out of institutions and customs which prevent development on true social lines. Here individualistic features are to be described and their actual effects indicated. This, it may be assumed, will necessitate a sketch of industrial conditions as they exist.

In the third part, the best means of counteracting the dangers of the present would be treated; this being economics rather as an art than as a science.

This sketch is, in the main, an argument for changing the order in which economic considerations are taken. These are, as has been often said, three in number; what is; what should be; and what is necessary to pass from what is to what should be. Rodbertus urges the importance of the study of what should be as a preliminary to the study of what is, mainly, indeed, because he considers that the realization of the former is delayed mainly, if not altogether, by the perverse ordinances of man. If it were treated first, the perversity of these and their unnecessary character would be clearly visible, and social progress would be more rapid.

§ 13. A comparison of the more or less immediate remedies thus suggested, with the actual course of reform, is a testimony to the sagacity and insight of Rodbertus. The grave peril which he diagnosed has been temporarily averted, while permanent measures against it are, in the eyes of many and not extreme critics, recognized as a necessary function of the state;

emphasis is placed on social work rather than on political organization; taxation is in the course of reconstruction, and of reconstruction in the direction indicated above; while lastly, the idea of economic unity, if not introduced into economic theory in the way which he commended, has, at any rate, become of new importance and so aids to some extent the aim which he had in view. In these matters he displays the instinct of statesmanship, so great a gift in itself, and so often absent in the writings of eminent reformers and idealists, for he shows himself able to distinguish that which can and will be from that which should be.

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