

CHAPTER I

THE ECONOMIC CONCEPTIONS

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

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

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

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

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

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

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

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

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

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

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

That this same idea of the unjust nature of surplus-value is entertained, though in slightly altered form, by the latest exponents of Socialism, in spite of the fact, which will be proved later on, that some of them repudiate the foundation on which the Marxian theory is built,—the labour-theory of value,—will be seen from the following quotation, taken from "Tract No. 69," issued by the Fabian Society, and written by Mr. Sidney Webb, *The Difficulties of Individualism* (p. 7):—

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

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

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

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

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

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

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

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

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

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

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

“Since the general tendency of industry, so far as it falls under modern economics of machinery and method, is either towards wasteful competition or towards monopoly, it is to be expected that there will be a continual expansion of State interference and State undertakings. This growing socialisation of industries must be regarded as the natural adjustment of society to the new conditions of machine production.”

In addition, it may not be without interest to quote from the best-known and most widely-circulated work of an American socialist, Laurence Gronlund's *The Co-operative Commonwealth*. Though Gronlund is repudiated by more modern socialists as favouring the catastrophic realisation of their doctrines, they do not materially differ from him as far as the doctrines themselves are concerned, and his book is still widely disseminated by socialist organisations. On pp. 42, 43, and 50, he states:—

“The great weapon at the command of the capitalist is *competition*. . . . It deserves the name of *cut-throat competition* when the wage-workers are forced into a struggle to see *who shall live* and *who shall starve*. . . . But these are by no means the only sufferers. The small employers, the small merchants, are just as much victims of that cruel kind of competition as the wage-workers. . . .

“But our big capitalists have a still more powerful sledge-hammer than that of competition ready at hand—to wit, *combination*. . . . They have already found that, while competition is a very excellent weapon to use against their weaker rivals, combination pays far better in relation to their peers.”

While the preceding authorities assert the failure of competition to remain free and equal under the conditions of modern industry, and base the proposals of Socialism on this failure, other authorities base them on the evil of competition *qua* competition. They disregard the arguments which arise from one-sided competition and boldly declare industrial competition as such to be the cause of the exploitation and degradation of labour and incompatible with the moral and physical wellbeing of the people.

Thomas Kirkup, one of the most careful and con-

servative of socialist authors, declares in *An Inquiry into Socialism*, p. 94 :—

“So long and so far as the present competitive system prevails, it must tend to the degradation of the workers, to social insecurity, and disaster.”

W. D. P. Bliss, a well-known American statistician and writer on economic and industrial subjects, states in *A Handbook of Socialism*, pp. 18, 20, and 21:—

“Individual competition of manufacturers and employers compels them to produce as cheaply as possible in order to sell as cheaply as possible. If they do not they must go out of business; for, under free competition, he who sells a given article the cheapest will get the trade. Therefore, the manufacturer and producer, compelled to buy in the cheapest market, strive among other things to buy labour as cheaply as possible. The labourer, meanwhile, having no good land and no adequate capital, is compelled to sell his labour-force at the best price he can. But since men multiply rapidly while land and capital are limited, and since machinery and invention constantly enable fewer and fewer men to do work formerly done by many, there soon comes to be competition of two (or two thousand) men to get the same job. Now the employer we have seen to be compelled to employ those who will work cheapest. There thus comes to be a competition between workmen to see who will work cheapest, and so get the job. This goes on developing till wages fall to just that which will support and renew the lowest form of life, that will turn out the requisite grade of work.

“Profit sharing, trades unions, partial co-operation, model tenements, charities, may do a little temporary good, but are mere bubbles on the ocean of competition; the only way is to slowly replace competition by universal co-operation, which is Socialism.

“Nor would Socialism limit all competition. Competition is not its devil. It recognises good as well as evil in competition. It would simply abolish *industrial* competition.”

The Guild of St. Matthew's is an association of socialist

clerics of the Church of England. In a Memorial addressed to the Pan-Anglican Conference¹ by the Guild, the following statements occur :—

“Our present social system—if the words ‘social system’ can be used for that which is largely the outcome of anarchic competition—is cruel and dishonest, and needs drastic reform and radical reorganisation. . . . The socialist objects to the competitive commercial system under which we live, that it robs the poor because he is poor,” etc.

While the two lines of reasoning here exhibited differ materially one from the other, they are not mutually exclusive. The socialist who objects to private monopoly may, and does, equally object to the freest and most untrammelled industrial competition. This is actually the state of mind prevailing among socialists who otherwise may widely differ from each other. The monopolistic argument is used mainly against the theory that free competition by itself will cure the evils which beset our industrial system, in order to show that such free competition is itself disappearing; while the argument against competition as such is the one mainly relied upon to justify the novel industrial proposals of Socialism. The economic theory of Socialism with regard to competition, therefore, is that of the destructive and disintegrating influence of industrial competition as such. The main difference between Socialism and other non-socialistic methods of social reform will be found to be that, while the former condemns competition as such, the latter condemns the one-sided and inequitable conditions under which competition is now carried on, and look forward to the removal of these unjust conditions and to the establishment of a really free and equal system of competition—the possibility of which Socialism denies—as the cure for the fundamental injustice of modern societies.

These two conceptions, that of the destructive influence of industrial competition *qua* competition, and that

¹ *Report of Pan-Anglican Conference.* London, 1888; Society for Promoting Christian Knowledge.

interest and rent and profit or surplus-value are deductions from the product, and, therefore, from the legitimate reward of the producers, form the bases of the industrial proposals of Socialism. The latter are devised for the purpose of abolishing industrial competition, and the exaction of rent, and interest, and profit, or surplus-value as the only measures which can secure to labour its full and just reward.