

NACBS

North American
Conference on
British Studies

CAMBRIDGE
UNIVERSITY PRESS

Fabian Socialism: A Theory of Rent as Exploitation

Author(s): David M. Ricci

Source: *Journal of British Studies*, Nov., 1969, Vol. 9, No. 1 (Nov., 1969), pp. 105-121

Published by: Cambridge University Press on behalf of The North American
Conference on British Studies

Stable URL: <https://www.jstor.org/stable/175171>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

The North American Conference on British Studies and Cambridge University Press are collaborating with JSTOR to digitize, preserve and extend access to *Journal of British Studies*

Fabian Socialism: a Theory of Rent as Exploitation

During the late nineteenth and the early twentieth centuries in Britain, Fabians stood out among socialists as diverging from the Marxian view. Fabians rejected Karl Marx's analysis of surplus value,¹ the most widely accepted and influential socialistic theory of capitalist exploitation. In its place the Fabian Society expounded an entirely distinct notion of exploitation, a radical theory of rent. That theory led to a program for the electoral overthrow of bourgeois liberal societies and the creation of democratic socialism.

The Fabian theory of rent — an ethical touchstone for evaluating the wealth and income of every man — is the subject of this essay. When the theory is abstracted from Fabian writings and fully elaborated, it becomes a blueprint for building a socialist society. That such a society could be founded upon an understanding of rent should be noteworthy to scholars interested in the philosophical origins of Fabianism. Moreover, the point may also be generally significant since it demonstrates that a socialist society may have a non-Marxian genesis and a nonauthoritarian end, two propositions that require constant reiteration in an American political climate which, as Louis Hartz has pointed out, is predominantly liberal.²

I

For reasons indicated below, this analysis of rent theory centers upon the years from 1887 to the 1920s. To begin with the term itself, in this period the word "rent" appeared often in Fabian³ and non-Fabian writings alike and carried two possible meanings. In everyday affairs rent was money received by an owner for the use of his land or goods; thus one paid rent for a farm, an apartment,

1. For a description of the rejection by early Fabians of Marxian value theory, see Appendix by George Bernard Shaw, in Edward Pease, *A History of the Fabian Society* (2nd ed.; London, 1926), pp. 273-77.

2. For the exposition of his thesis that Americans, regardless of contemporary labels, are predominantly liberal, see Louis Hartz, *The Liberal Tradition in America* (Cambridge, 1955).

3. This article is part of a larger study of Fabianism which utilizes the following works: Fabian Tract series; George Bernard Shaw (ed.), *Fabian Essays in Socialism* (6th ed.; London, 1962); books, articles, diaries, and plays by leading and representative Fabians such as Sidney and Beatrice Webb, Shaw, R. H. Tawney, Harold Laski, and G. D. H. Cole. Concerning rent, one finds the Tracts, the *Fabian Essays*, and the writings of Shaw and the Webbs to be particularly relevant.

a truck, or an adding machine. In this sense the word “rent” was used to label the income from a differential economic advantage which brought its owner payment in return for the productive power of that advantage when made available to others. But there was another, more sophisticated meaning that could attach to rent. It might also apply to that portion of any income which accrued to its recipient without work or sacrifice on his part, without cost to him. Such a portion, such a rent – for example, the interest from inherited bonds – while legally sanctioned in capitalist societies, was thought by many to be ethically unearned. Fabians held this second meaning of rent to be particularly significant, for they were of the opinion that under capitalism there existed many incomes not rightly earned, many unethical rents, in diverse forms, all permitting rentiers to enjoy goods and services without producing an equivalent amount of the same for consumption by the community. Under these circumstances the largest segment of the nation labored to support an idle class, and both the pleasures and the pains of life were inequitably distributed – a decidedly unjust arrangement, in the Fabian view.

The second, analytical, normatively important meaning of the word “rent” was conveyed by the language of both experts and laymen. Economists defined rents as the means whereby rentiers acquire the utility that commodities generate without sharing in the disutility of work, which necessarily accompanies society’s creation of those commodities. In more common but less charitable parlance, rent enables one “to get something for nothing.” It is apparent that if these two perspectives – the technical and the popular – are deliberately united, a powerful theory of exploitation can emerge. Through economic analysis, various unearned incomes may be discovered; through social criticism and exhortation, they may be vigorously condemned. In the writings of the Fabians such discovery and condemnation went hand in hand.

II

Fabian thoughts on rent are difficult to date with precision, but they may be said to rest ultimately on a conceptual framework advanced in scholarly debate during the Society’s early years. This debate took place during 1887 and 1888 and pitted Sidney Webb of the infant Fabian Society against Francis Walker, a neo-classical economist then president of the American Economic Association.

In April of 1887 Walker published an article in the *Quarterly*

Journal of Economics attempting to explain the cause of high profits. The question of profits was then particularly vexing to capitalist economists, because the accepted economic model of perfect competition seemed to predict that profits would gradually decline whereas actual developments in capitalist economies appeared to vitiate that projection.⁴

Walker claimed that the model was sound but mistakenly interpreted and that even under conditions of perfect competition, exceptionally efficient employers will produce a profit greater than the normal interest rate on capital. This special profit originates in the particular business skill of employers. It represents the surplus they generate “over and above what an employer of the lowest industrial grade can produce with equal amounts of labor and capital.”⁵ In other words, unusually high profit is created by the employer and is “produced wholly by . . . business ability.”⁶ From this assertion Walker concluded that profits consist of two components: normal interest on capital and, more importantly, rewards for the ability to manage capital — rewards which account for large profits in the real world.⁷ He called the rewards of ability “rents of ability” on the ground that superior ability is similar to superior land, as both have the capacity to produce a differential surplus when applied to a fixed amount of capital.⁸ Rent, therefore, as Walker used the term, was simply an ethically neutral term describing the income from any differential advantage. And rents of ability are justified — they are not exploitative — from this point of view, since they represent outstanding productive contribution.

Webb responded to Walker in the January 1888 issue of the same journal. His purpose was to demonstrate that superior ability was not sufficiently productive to account for actual business

4. The then accepted model of competition, as outlined by economists such as David Ricardo or John Stuart Mill, held that due to vigorous competition, rising rents, and wages irreducible below the starvation threshold for workers, profits must over a period of years gradually decline as more and more businessmen crowd into the same industries. David Ricardo, *Principles of Political Economy and Taxation* (London, 1962), pp. 54-76; John Stuart Mill, *Principles of Political Economy* (7th ed.; London, 1929), pp. 725-39. The fault of the model, of course, was that it presumed a sort of moratorium both on technological innovation and on the creation of new and profitable commodities in a constant and never-ending process. At any rate, profits were expected to decline, and Walker's underlying concern with this point is noted by A. M. McBriar, *Fabian Socialism and English Politics: 1884-1914* (Cambridge, 1962), p. 40.

5. Francis Walker, “The Source of Business Profits,” *Q.J.E.*, I (1887), 274-75.

6. *Ibid.*

7. *Ibid.*, I, 281-82.

8. *Ibid.*, I, 277-78.

profits. Webb argued that all incomes are proportionate to what he called a normal “economic wage,” which is the wage of the most unskilled worker, laboring on the poorest land, with the least capital assistance and the worst natural conditions.⁹ Any income above this economic wage must be the result of productive power unshared at the moment by others – a productive power that is thus differential and, therefore, rental.¹⁰ From this premise Webb constructed a model, representative of capitalist economies, in which all income was divided analytically into (1) economic wages and (2) rents of land, labor, and capital, the three main factors of production.

The debate between Webb and Walker centered on the comparative real incomes of persons who contribute their labor and those who contribute their capital to the productive process. Webb conceded that rents of ability might account for the differences of incomes of workmen, but he rejected Walker’s contention that profits to capital (less interest for the nonrisk element) represented the relative ability of the capitalist as compared either to that of other capitalists or to the ability of laborers. Webb called the return to capital “economic interest” and divided it into three rents resulting from the normal productivity of capital, the managerial ability of capitalists, and opportunity.¹¹ Of these three rents, Webb emphasized the last. “Mere priority and proximity,” he claimed, “are constantly found to be as effective guards of *temporary* monopoly [rent] as a patent or a favorable site. . . . This ‘rent of opportunity’ forms a considerable part of ‘economic interest.’”¹²

Explicitly, the rent of opportunity was the crucial point setting Webb apart from Walker in the debate. Where Walker contended that profits are due mainly to the efforts and ability of employers, Webb stressed chance and good fortune, factors that may swell profits regardless of other considerations. Where Walker’s analysis justified enormous disparities of income between employer and employee, Webb’s opposition is clear: much of what constitutes profit is fortuitously come by and, thus, unearned.

It would be a mistake, however, to conclude that the only important difference between Webb and Walker – Fabian critic and capitalist economist – concerned an explicit controversy of

9. Sidney Webb, “The Rate of Interest and the Laws of Distribution,” *ibid.*, II (1887), 197.

10. *Ibid.*, II, 199–201.

11. *Ibid.*, II, 200–03.

12. *Ibid.*, II, 203.

the day. There was an implicit but fundamental dispute between them, one implicit in their use of the term rent. For Walker, rent was ethically neutral and identified any productive power including ability. He was interested in *how* such powers are rewarded and not in whether they *should be* rewarded. For Webb, rent was ethically unearned although he did not expressly state this. By stressing rents of opportunity rather than rewards for ability, however, he hinted at this, since he viewed rents of opportunity as windfalls brought about by market demand rather than by the capitalist's labor.

To put the matter another way, Webb accepted Walker's approach by seeing rents in the differential advantages of land, labor, and capital. He thus accepted a definition of rent in the first sense noted above. Webb went further, however, and clearly intended that Walker's theory should admit the second meaning of rent noted above, the moral quality of rent as an ethical concept denoting unearned income. Consequently, when he spoke of economic output and concluded that "the whole product is divided between rent and wages [economic wages],"¹³ he was roughly dividing the national income into unearned and earned receipts.

Webb's article marks the beginning of systematic Fabian thought on the subject of rent and is signally important because it prepared the framework within which Fabian theorizing proceeded. There were later refinements and restatements of the dichotomy between earned and unearned incomes, but Webb's piece contains the essential elements of the Society's theory of exploitation. To Fabianism, rent is any income received without concomitant and commensurable work; rent permits some people to live at the expense of others. A rentier is a freeloader, and the number of such people — financiers, stockholders, absentee landlords, heirs to fortune and skill — is a Fabian index to social injustice prevalent under capitalism.

III

After 1888 the Fabian index of social injustice may be seen as resting on a broad ethical theory of rent. The different positions of Webb and Walker were obscured because both men used the same term, "rent," while assigning it different meanings. Analysis of the exploitation notion contained in later references to rent is simple, however, because popular distaste for real rents and landlords made

13. Webb summed up his model with this passage in reply to Walker's rejoinder in the debate. See "Notes and Memoranda," *ibid.*, II (1888), 472.

it inadvisable for capitalist economists to employ Walker's terminology. Consequently, rent was gradually accepted by everyone as ethically meaningful, with profits seeking justification in terms of "entrepreneurial talent"¹⁴ rather than "rents of ability." With a common definition of rent, the difference between Fabians and the advocates of capitalism lay in the extent to which both were willing to extend that word to economic phenomena. Where did it apply? Capitalists, advancing various theories of personal initiative and enterprise, have always argued that private and individual incomes derived from property are for the most part a result of sacrifice, hard work, or risk and, therefore, ethically earned.¹⁵ The Fabians would have none of that and condemned much income as rental. Their numerous remarks and arguments to this effect claimed that a great deal of income from private property represented exploitation instead of service. Bearing in mind Webb's over-all design in which aggregate income is composed of minimum wages plus diverse rents, one finds many related Fabian beliefs expounded from time to time over the next four decades. Collectively, these constitute the Fabian socialist theory of rent. The most convenient way to explicate this theory is to enumerate its major elements as they would have stood had they been articulated consecutively in any single Fabian document.

(1) *Society is composed of people who are, economically, either productive or unproductive. Any share of the national wealth which accrues to unproductive persons is ethically unearned because they make no reciprocal economic contribution to that wealth. An entire class of people subsists on such unearned income, a class which lives by owning rather than working.*

The Fabians subscribed to the commonplace view that personal worth can be measured roughly by contribution to gross national product.¹⁶ Of course, concessions were to be made in the case of

14. "Entrepreneurial talent" is a relatively modern term. Early Fabians found their theory opposed by a similar notion but couched in references to "the direction of labor" or "directive ability." Such phrases figured prominently in the influential works of William Mallock. See William Mallock, *Property and Progress* (New York, 1884), pp. 153-64, and *A Critical Examination of Socialism* (New York, 1907), pp. 20-33.

15. Classic examples of capitalist economic thought, supporting respectively the theories of sacrifice, hard work, or risk, are: Nassau Senior, *An Outline of the Science of Political Economy* (London, 1936), pp. 58-60; Samuel Smiles, *Self-Help* (New York, 1860), *passim*; Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York, 1942), pp. 81-106.

16. This commonplace view underlies modern man's quest for economic progress. Even communists and advocates of free enterprise agree that the productive man should be rewarded; they disagree only as to which class is truly productive. Modern man's view, of course, differs markedly from medieval man's vision of an ideal community composed of different social strata, all serving valuable ends not

those who are, through force of circumstance, nonproductive — the sick, the young, or the aged.¹⁷ With these exceptions, the Fabians believed that just as in legal parlance there are citizens and aliens or rulers and subjects, so in the lexicon of modern social thought, men should be labeled workers or drones, contributors or leeches.¹⁸ In general, the socially undesirable might be said to constitute a rentier class marked by ownership rather than effort, a “proprietary class [which] is purely parasitic.”¹⁹ Their income is not rightfully earned.

The precise categories encompassed in this class are nowhere listed as such, but certainly the number is not limited to absentee landlords, the most obvious cases. Included would be mortgage-holders, debenture-holders, state-bondholders²⁰ — the idle rich and the “functionless rich”²¹ — all those who live solely on the interest and profits gained from invested capital.²² The recipients of rents of ability do not seem to have been included in this rentier class, perhaps because “rent of ability” is an analytical term which could be applied to a portion of virtually anyone’s income. In any event, the rentier class would embrace everyone whose income from rents is of such magnitude that it bears no reasonable relationship to the extent of his work. In Fabian Tract No. 5 Webb claimed that one third of England’s national income consisted of property rent and interest, which he took to represent the income of this class.²³

(2) *Landlords collect land rents as payment for the fertility of the soil; these real rents convey to the landlord the benefits of improvements that in fact are contributed by his tenants.*

necessarily economic. For a brilliant exposition of the evolution of modern, market-place standards for judging the worth of men, see Karl Polanyi, *The Great Transformation* (New York, 1944).

17. Fabian Tract No. 126, *The Abolition of Poor Law Guardians* (1906), p. 22, notes such exceptions.

18. *Ibid.*, p. 21. The analogy between workers and drones originated in John Cairnes, *Some Leading Principles of Political Economy* (London, 1874), p. 32. It became a common figure of speech in Fabian literature. See, e.g., Shaw, *Fabian Essays*, pp. 38, 118; Fabian Tract No. 5, *Facts for Socialists* (1887), p. 4; George Bernard Shaw, *The Socialism of Shaw*, ed. James Fuchs (New York, 1926), p. 39.

19. Fabian Tract No. 233, *Socialism and Fabianism* (1930), p. 4.

20. Fabian Tract No. 229, *National Finance* (1929), p. 3, includes these examples.

21. The term “functionless rich” is found in Sidney and Beatrice Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (London, 1920), pp. xii, 80. That one of the most significant features of the *Fabian Essays* is the portrayal of owners of property as “functionless” is emphasized in an excellent study by Adam Ulam, *The Philosophical Foundations of English Socialism* (Cambridge, Mass., 1951), p. 75.

22. For a criticism of all those “people who live by owning instead of working,” see S. and B. Webb, *Constitution for the Socialist Commonwealth*, p. xii.

23. Tract No. 5, pp. 6-7.

The Fabians borrowed this belief from the influential works of David Ricardo. It rests upon the assumption that, as Ricardo said, the fertility of land is "original and indestructible"²⁴ and that landlords prey upon other classes to the extent that they collect rent for this power of the soil. Ricardo also originated the theory that rents rise to consume surplus profits and high wages, both of which are a consequence of tenants' improvements, capital investments, and labor.²⁵

The sarcasm of Fabian attacks on land rents attests to the Society's belief that such rents are particularly offensive. "The Earth may be the Lord's," Fabian Tract No. 15 observed, "but the fullness thereof must inevitably be the landlords'."²⁶ "You are so used to this," said George Bernard Shaw, "that it may never have struck you as extraordinary that any private person should have the power to treat the earth as if it belonged to him, though you would certainly think him mad if he claimed to own the air or the sunlight or the sea."²⁷ "Every salmon which comes up from the sea might just as well have a label on it, 'Lord or Lady So-and-So, with God Almighty's compliments,'" complained Fabian Tract No. 42.²⁸

Against this line of criticism English defenders of private property insisted that rents are in fact earned. This view, the main defense of landed property, argued that England had been cultivated for centuries by her landlords, whose efforts had maintained and augmented the natural fertility of the soil.²⁹ Were the assertion accepted, diverse artificial improvements on land would make it impossible to determine what percentages of actual rents were earned or unearned.

The Fabians responded to this contention by conceding that productive efforts and improvements had indeed been made, but the Society refused to credit landlords. Rather, it was the tenants who added the value, with the landlords assuming the credit.³⁰ In

24. Ricardo, *Principles*, p. 33.

25. *Ibid.*, pp. 64-76.

26. Fabian Tract No. 15, *English Progress Towards Social Democracy* (1890), p. 12.

27. George Bernard Shaw, *The Intelligent Woman's Guide to Socialism and Capitalism* (New York, 1928), p. 123.

28. Fabian Tract No. 42, *Christian Socialism* (1892), p. 13.

29. See, e.g., Herbert Spencer, *The Principles of Ethics* (New York, 1899), II, 91-92, 443-44. Spencer argues that even if the "prairie value" of virgin soil belongs by right to the community, government has no practical way of calculating and exacting that value from proprietors because it is inextricably mixed into present real estate prices.

30. Fabian Tract No. 7, *Capital and Land* (1888), p. 5: "When his tenants improve their holdings by their own labor, the landlord, on the expiration of the lease, remorselessly appropriates the capital so created, by raising the rent."

the *Fabian Essays* Shaw went so far as to analyze this process in abstract terms, using a theoretical model of a Lockean-style wilderness, fertile and empty, which is settled by a few colonists. They fence in the best land and take it for their own. Soon, however, more and more colonists arrive, and the original pioneers become great proprietors, leasing their holdings to middlemen who in turn rent plots to small farmers. Time passes, and the land is occupied, used, worked, and made productive through the permission, but not the efforts, of idle proprietors; yet they and their descendants receive an inexorable fee, an actual rent, an unethical rent, tantamount to an unearned portion of the land's produce.³¹ Modern-day rents, Shaw argued, are similarly unearned.

(3) *As society develops, either in numbers or industrial complexity, it intensifies the demand for land and causes its value to rise. This rise is due entirely to social factors rather than to the productive efforts of proprietors. Therefore, it constitutes an "unearned increment" — a rent. By the same process a similar increment may be added to the value of capital.*

The original statement of the notion of "unearned increment" can be traced to John Stuart Mill, but while he treated it only briefly in his major work,³² the Fabians made it a key element in their critique of capitalism. Fabian Tract No. 30, devoted entirely to unearned increments in land, claimed that even after statistical adjustments to allow for capital improvements in buildings, ground rent increased £18,000,000 in London between 1870 and 1891, because real estate value rose £270,000,000.³³ Fabian Tract No. 7 noted that an analogous added value may accumulate in industrial holdings. "The New River Company's Water Shares," it argued, "had their present enormous value, not because Sir Hugh Myddelton's venture was costly, but because London had become great."³⁴ Unearned increments, then, form a major part of the income of the rentier class.

Unearned increments are doubly significant: first, because they flow to the rentier class regardless of service and cost and, therefore, represent exploitation; second, because they are a socially created value and, therefore, can be transferred from rentier to the nation — their rightful owner — without adversely affecting the production of wealth. Taxing unearned increments away from rentiers cannot discourage their production because, in the Fabian

31. Shaw, *Fabian Essays*, pp. 36-44.

32. Mill, *Principles*, pp. 817-19.

33. Fabian Tract No. 30, *The Unearned Increment* (1891), pp. 1-4.

34. Tract No. 7, p. 6.

view, rentiers have nothing whatever to do with that production. Moreover, such a tax would be morally justified because the increments are ethically unearned.

(4) *Just as land and capital are priced in direct ratio to their scarcity, ability too commands higher prices when it is in short supply. Therefore, possessors of ability receive rent to the extent that their personal income is determined by demand rather than effort.*

There were two Fabian approaches to “rents of ability.” One was analytical and based on the economic theory of marginal utility. That theory claimed that all economic factors are priced in keeping with their relative scarcity, not their natural productivity. Thus any economic factor — be it land, ability, capital, or any other — draws payment for its availability and, to the extent that it is in short supply as land is, receives a demand payment analogous to land’s rent. With marginal utility theory as their guide,³⁵ Fabians complemented their condemnation of rents in land and capital with the contention that “the price of ability does not depend on merit, but on supply and demand.”³⁶ As “merit” to a Fabian connoted “effort,” this assertion illustrates the Society’s belief that even an able man’s income is determined by the scarcity of his skill, by demand, opportunity, and plain luck, as well as by effort. The extent to which this ability yields earned income and unearned rents thus becomes a difficult analytical problem.

The second approach was more practical than analytical. There are certain rents of ability obviously occasioned by social and status rigidities in society. For example, the children of poor parents have less opportunity than sons of the affluent to obtain education and consequent economic ability. If all children were educated and skilled, however, some rents of ability would disappear in the face of an abundant supply of talent.³⁷ Rents of ability due to fortuitous possession of economically desirable parents might be called “social rents.” In addition to these rents, quite ordinary men in elevated positions tend to be overpaid. Such, for example, in the Fabian view, would be the case of members of the nobility, ex-generals, and former Members of Parliament, any of whom might be employed as corporate figureheads and generously rewarded primarily

35. See n. 1 above. Shaw explains that the Society based its economic calculations on the marginal utility theory of the English economist William Stanley Jevons rather than the works of Karl Marx; that is to say, the Society believed a thing possesses value because it is scarce, not because the work which made it has some intrinsic “labor value.”

36. Fabian Tract No. 146, *Socialism and Superior Brains* (1909), p. 11.

37. *Ibid.*, p. 14.

for the work of inspiring public confidence.³⁸ Their rents of ability could be termed “status rents.”

(5) *England ought not to belong to English proprietors but, rather, to all Englishmen. At least three of the component parts of her national wealth are ethically unearned by individuals and should, therefore, be the property of the national Government as against private citizens: the natural productive power of the land; the unearned increment accumulated on that land and on capital; and the stock of capital created by former generations of Englishmen and now held by a rentier class.*

After the idle rich, unearned increments, and incomes from land rent were stigmatized by various Fabian notions of rent, the Society still had to justify the ownership of these rents by the state. This objective was typically socialistic, or politically collectivist, and arguments in its favor were designed to overcome a nineteenth-century English bias toward individualism and Social Darwinism — the mirror images of socialism and the adjuncts of capitalism — which persisted in the conviction that national wealth is no more than the sum of all personal fortunes belonging to individuals *qua* individuals.³⁹

In order to demonstrate that rental wealth belongs to all Englishmen collectively, the Fabians colored rental factors with terms implying a tightly knit community rather than a simple grouping of people held together by identity of interest or Darwinian competition. For instance, Fabian Tract No. 2 claimed that a share of “the Land and Capital of the Nation” is a “birthright” of every native citizen;⁴⁰ Fabian Tract No. 40 proposed to distribute the “wealth of the country”;⁴¹ and Fabian Tract No. 13 observed that “we English have a habit of speaking of England as if it belonged to us. We are wrong: England is now private property.”⁴² These various phrases, and others like them, served to drive home the point that England and a great deal of the wealth created by the fact of England’s existence should belong collectively to the English nation rather than separately to its individual members.

Having argued that rents belong to the national community, the Fabians went on to propose that they should be collected and administered nationally instead of locally where they arise. This

38. *Ibid.*, pp. 11-12.

39. The classic example of individualism as a doctrine was set forth in Smiles, *Self-Help*, *passim*. For a statement of Social Darwinism, see Benjamin Kidd, *Social Evolution* (New York, 1894), *passim*.

40. Fabian Tract No. 2, *A Manifesto* (1884).

41. Fabian Tract No. 40, *Fabian Election Manifesto* (1892), p. 3.

42. Fabian Tract No. 13, *What Socialism Is* (1890), p. 1.

doctrine placed the Society in opposition to small-unit utopian socialists or anarchists.⁴³ It rested upon two fundamental realities. First, if rents are held by the localities where they arise, the people of one area, say Manchester, would fare more comfortably than those of another, say Land's End, which has fewer rents to appropriate.⁴⁴ Second, the central Government, rather than the local governments, represents the entire nation.⁴⁵ This second predicate was supported by repeated analogies to housekeeping. Thus Shaw declared that the essence of sound political economy is "good housekeeping,"⁴⁶ and the chancellor of the exchequer was characterized simplistically by Fabian Tract No. 39 as the man who handles the "national housekeeping."⁴⁷ In this context, of course, "housekeeping" implied a community pursuing collective economic goals.

National rents were an important part of the over-all Fabian reform platform. Severe taxation of rents such as unearned increments was held to be ethically costless in the sense that it would not deprive rentiers of resources rightfully owned. At the same time, expropriation of individual rents would enormously increase the power of government to provide social services for nonaffluent citizens. As Webb pointed out in the *Fabian Essays*, the entire outstanding debt of local government in England in 1889 was equivalent to the rent paid to landlords each year for what he called "permission to live in England."⁴⁸ Income from rent, then, would furnish the financial wherewithal to implement the political programs of a Fabian socialist welfare state.

(6) *Although conventional morality today generally condones incomes that Fabian socialism seeks to confiscate, the time will come when public revulsion against unethical rents will force an*

43. That the state represents the national community and should receive rents was a fundamental fact assumed in all Fabian literature, so much so that Fabians became known as "state socialists" as opposed to socialists who advocated small utopian communities of men sharing production, consumption, and rents. This point is made by William Irvine, "Shaw, the Fabians and the Utilitarians," *J.H.L.*, VIII (1947), 225. For a Fabian statement of the Society's opposition to small community socialism, and to anarchism, pure and simple, see Fabian Tract No. 45, *The Impossibilities of Anarchism* (1893), *passim*.

44. Fabian Tract No. 172, *What about the Rates?* (1913), pp. 11-12, notes the inequity of allowing rents to be enjoyed where they arise and recommends national taxation accompanied by national grants-in-aid to distribute rent justly.

45. See, for example, Shaw, *Fabian Essays*, pp. 58-59, 213-16.

46. Shaw, *Intelligent Woman's Guide*, p. 51. See also p. 49: "It [political economy] means nothing more abstruse than the art of managing the economy as a housekeeper manages a house. . . . The nation has a certain income to manage on just as a housekeeper has; and the problem is how to spend that income to the greatest general advantage."

47. Fabian Tract No. 39, *A Democratic Budget* (1892), p. 2.

48. Shaw, *Fabian Essays*, p. 72, n. 2.

end to private enjoyment of such wealth. An antirent ethic will someday determine the distribution of income.

The final element of Fabian rent theory, held more steadfastly by the early Society than by later generations progressively disillusioned by the complexities, tragedies, and moral confusion of the twentieth century, was the belief that there will someday prevail a system of ethics and human behavior that will enforce the Fabian judgment of rent.⁴⁹ "Living by owning" will be considered shameful, and anyone taking the full rent of his ability will be thought of as a "mean fellow."⁵⁰ Believing such a future to be inevitable, Fabians contended that men have an obligation today to pave the way for its eventual establishment. Like other faiths, this belief could not be proved beyond dispute by available facts, but neither could it be controverted by the same; it therefore served like a Christian vision of the afterlife, a compelling aspiration for the converted.

IV

In summary, Webb's framework and the six major elements of Fabian rent theory condemned as rent any private incomes that are ethically unearned, that are received without expenditure of effort, that permit enjoyment of commodities without a reciprocal contribution of the toil required to produce those goods. In a capitalist economy such rental incomes might be derived from land, capital, ability, and opportunity, that is to say, from differential economic advantages that reflect no particular effort by their owner. Under such circumstances there exists a rentier class, which should be regarded as economically parasitic — an expense to all other men — for its wealth does not reflect a useful social role.

V

Fabian rent theory was simple: its implications, for Fabians at least, were far-reaching. On a theoretical level it challenged the

49. For the marked decline of Fabian optimism in recent years, see R. H. Crossman (ed.), *New Fabian Essays* (New York, 1952). E.g., "It is important to observe . . . that there is no evidence of any continuous upward line of social progress"; or, "socialist society is not the norm, evolved by material conditions, but the exception, imposed on immoral society by human will and social conscience." *Ibid.*, pp. 10, 15.

50. E.g., S. and B. Webb, *Constitution for the Socialist Commonwealth*, p. 351: "And this substitution of the motive of self-enrichment will be fostered by the change already beginning in public opinion, which will make 'living by owning' as shameful as the pauperism of the wastrel; and will moreover, regard the exceptionally gifted man who insists on extorting from the community the full rent of his ability as a mean fellow."

fundamental laissez-faire liberal presumption of a natural harmony of interests among all the classes and individuals of a capitalist society, the conviction that everyone stands to gain from the operation of a capitalist economy. Fabians claimed that rentiers enjoy but do not make commodities and that they therefore consume but do not produce the community's hard-earned wealth. The Society continually emphasized the exploitative nature of rental income and the proposition that if that income is in fact ethically unearned, rentiers as a class serve no productive function in society. Consequently, their interests cannot be in harmony with those of nonrentiers who labor to support them.⁵¹ This viewpoint was implicit in classical economic theory when leading economists such as Adam Smith and David Ricardo condemned land rents as unearned,⁵² but it was overshadowed by a traditional liberal faith in natural harmony.⁵³ Fabians were not sustained by this faith and, with a critical eye, extended the early nineteenth-century moral indictment of land rents "to all instruments of production, as well as to the varying deficiencies of every kind of human labor."⁵⁴ The Fabian thesis that "rent is a genus of which land rent is only one species"⁵⁵ was elaborated into a complete theory of income distribution and as such provided an explanation of social injustice as complete as the Marxian theory of surplus value, which also questioned the harmony of interests doctrine. As a central theme for a school of thought that evaluated the income of every class and individual in England, this rent theory — a sweeping portrait of exploitation — was a pivotal point of Fabianism.

In practical terms rent theory provided a rationale for justifying the Fabian demand for political collectivism, for socialism pure and simple. Rents, the theory argued, ought not to be privately enjoyed since they rightfully belong to the nation as a whole rather

51. Tract No. 5, pp. 12-13, contends that what is known popularly as "class war" is in fact a phenomenon of conflict which stems from the efforts of rentiers to retain their monopolistic hold over land, capital, and ability.

52. See Adam Smith, *Wealth of Nations* (New York, 1937), p. 47, for Smith's famous observation that landlords "love to reap where they have never sowed." Ricardo, agreeing with Smith, rephrased the thought and argued that rent is "that compensation which is paid to the owner of land for the use of its original and indestructible powers." Ricardo, *Principles*, p. 34.

53. Élie Halévy, *The Growth of Philosophic Radicalism* (New York, 1928), pp. 102-03, 107. Halévy notes the contradiction between Smith's notion of an "invisible hand" guiding all things to a just end and his condemnation of landlords; he concludes that the liberal faith in harmony was so strong that exploitation and different class interests were subordinated in the classical economic model devoted to proving that harmony's existence.

54. Sidney and Beatrice Webb, *Problems of Modern Industry* (London, 1898), p. 472.

55. Fabian Tract No. 69, *The Difficulties of Individualism* (1896), p. 9.

than to only some of its citizens. Such a radical change in the disposition of rents — and thereby greater equality of personal wealth for all through reduced disparities of income and simultaneous increased consumption of public services financed by expropriated rents — requires government action and cannot otherwise be achieved despite the most admirable effort or character of individuals. On the one hand, in respect to individual effort, the *Fabian Essays* concluded that

there is no means of getting rid of economic rent. So long as the fertility of land varies from acre to acre, and the number of persons passing by a show window varies from street to street, with the result that two farmers or two shopkeepers of exactly equal intelligence and industry will reap unequal returns for their year's work,

for so long will unearned differential advantages generate rent.⁵⁶ A socialist government, representing the community at large, is the only agent capable of redressing the grievances caused by rent. Through public services such a government can reallocate the inevitable rents that now go to only a privileged few. On the other hand, in respect to a man's character, certainly this equalization of income cannot depend upon its private improvement, upon personal decency and fair play. As seen by Fabians, rent is not a consequence of individual immorality — bourgeois greed or proletarian dissipation — but is inherent in the structure of normal economic transactions. As Shaw remarked, experience has demonstrated “that social problems can not be solved by personal righteousness, and that under Capitalism, not only must men be made moral by an Act of Parliament, but they can not be made moral any other way, no matter how benevolent their dispositions may be.”⁵⁷

VI

There can be no doubt that rent was the deductive foundation of Fabianism in the period encompassing the Society's most vigorous and innovative intellectual efforts, that is to say, until shortly after World War I.⁵⁸ In his 1920 Preface to a re-edition of the *Fabian Essays*, Sidney Webb claimed that although the essays had overlooked some items of later Fabian concern, their economic

56. Shaw, *Fabian Essays*, pp. 213-14.

57. Shaw, *Intelligent Woman's Guide*, pp. 190-91.

58. For a modern, procapitalist critique of rent as the central component of early Fabianism, see George Stigler, “B. Shaw, S. Webb and the Theory of Fabian Socialism,” *Proc. Amer. Phil. Soc.*, CIII (1959), 469-76.

basis — the theory of rent — had proven to be correct.⁵⁹ After 1920, however, there are only scattered references to this concept in Fabian writings, and it seems to have gradually faded out of the Society's thinking. In fact, explicit statements of rent theory became so foreign to Fabianism that when the *New Fabian Essays* were published in 1952, the subject received no mention at all. Why was this so?

The idea of unethical rent seems not to have been deemed so much wrong as irrelevant. As a political outlook, Fabianism had won widespread acceptance, and belaboring rent theory would only have reinforced the obvious. The *New Fabian Essays*, reflecting the responsibilities and rhetoric of a Society whose ranks included 229 Labour Members of Parliament in 1945, is a volume concerned with problems of politics, not philosophy. Its essays speak often of the need for fresh and persuasive socialist perspectives, but the emphasis is on very practical issues such as colonialism, world markets, bureaucracy, and administration.⁶⁰ This emphasis, however, coincided with the legislative achievements of the Labour Party itself — for instance, provision of a national health service, enactment of a comprehensive program of social insurance, insistence on sharply progressive taxation, and nationalization of important industries — and all of those acts were predicated upon a socialist rationale borrowed in the party's formative years from early Fabianism, rent-theory Fabianism.⁶¹ Conse-

59. For Sidney Webb's Preface, see Shaw, *Fabian Essays*, pp. 268-81.

60. Crossman, *New Fabian Essays*, *passim*. Even so, it is worthwhile noting that regardless of the disappearance of rent as an explicit doctrine and live issue, and all of the new and practical concerns of Fabianism notwithstanding, if one figuratively scratches a latter-day Fabian essayist, there appears a socialist plainly disturbed by conditions which at an earlier date would have fallen within the purview of rent theory. Thus Crossman argues that a dialectical movement toward great concentration of economic power and bureaucratic rule by large-scale organizations is the greatest social danger of modern industrial society — capitalist or communist — and that socialists must continually expose and oppose this trend, for the stated reason that it leads to "exploitation, injustice and inequality." *Ibid.*, p. 10. In much the same vein, Roy Jenkins addresses himself directly to the politically explosive issue of economic equality and concludes that contemporary society is marked by great disparities of income and status. Equal opportunity for education is therefore a necessity, he declares, for through education what he calls "freedom of entry into all occupations" will gradually reduce that unequal and unearned element of income which he terms "monopoly revenue" — the very vice which Fabians formerly saw as rent. *Ibid.*, pp. 84-85.

61. Fabian thinking was incorporated into Labour Party doctrine when Sidney Webb helped write the 1918 party platform, "Labour and the New Social Order." See Pease, *History of the Fabian Society*, pp. 264-65; Margaret Cole, *The Story of Fabian Socialism* (New York, 1964), pp. 167-74; J. F. Milburn, "The Fabian Society and the British Labour Party," *Western Political Quarterly*, II (1958), 328. For a recent group-theory-of-politics interpretation of this 1918 event, cf. Samuel Beer, *British Politics in the Collectivist Age* (New York, 1965), pp. 126-52, esp. p. 138. For various views concerning the extent of direct Fabian influence in the

quently, it would appear that even while the notion of unethical rents was being dropped from the Fabian agenda of social controversy and criticism, the principle of mitigating those rents was being firmly embedded in English institutions and practice.

DAVID M. RICCI

shaping of Labour Party programs and policy, and for an understanding of the extent to which Fabian socialist ideas underlie England's welfare state in general, see Milburn, "Fabian Society," *Western Political Quarterly*, II, 319-39; McBriar, *Fabian Socialism and English Politics*, pp. 307-45; Mary Murphey, "The Role of the Fabian Society in British Affairs," *Southern Economic Journal*, XIV (1947), 14-24; and F. H. Underhill, "Fabians and Fabianism," *Canadian Forum*, XXVI (1946), 8-12.