

## CHAPTER III

### COMMUNIST ECONOMICS

#### I

COMMUNIST economics are almost entirely a polemic in defence of Marx's *Capital*; the system laid down by the master has been accepted by his successors with a fierce intensity like that of the Puritan for the Bible or the Mahomedan for the Koran. It has aroused the most bitter of controversies, and its interpretations have been almost as numerous as the men who have sought to explain it. For the Marxians themselves it has, quite naturally, superseded all other systems; to the critics, it is a mass of patent contradictions. Socialists themselves do not always accept it. The German revisionists, led by Bernstein, have insisted that its theses are out of accord with the trend of economic facts. The English Fabians derive their economic theories rather from Mill and Jevons than from their own socialist predecessors. The French Syndicalists regard Marxian economics as of high fighting value, but true only of a world of pure concepts quite different from the world

about us. "Marxian socialism," writes Mr. Keynes,<sup>1</sup> "must always remain a portent to the historians of opinion—how a doctrine so illogical and so dull can have exercised so powerful and enduring an influence over the minds of men and, through them, the events of history." But, however illogical and however dull, it is obviously important that innumerable working-men have recognised in the account Marx gave of capitalist processes the experience they have themselves encountered. Any discussion of the Marxian system, therefore, must strive not only to state its theses in coherent form, but also to explain why they have aroused so much passion on their behalf. For even if they are wrong, the investigation of accepted error is always a clue to the wants of men.

## II

The Marxian economic system is built upon two definite foundations. On the one hand, it is an amplification of that labour theory of value which, from its first faint beginnings in Locke, had become, in the hands of Adam Smith and Ricardo, the base of the classical economics, and, on the other, it is an argument that surplus values really due to labour-power are stolen from the latter by the

<sup>1</sup> *The End of Laissez-Faire*, p. 34.

capitalist. We shall discuss in this chapter the Marxian theory of value and seek to account for the form it assumed.

For Marx, the world of capitalism is a great heap of commodities. These must be wanted because they are useful, and they have therefore a kind of value we may call use-value. All business enterprise is built upon use-values. I produce what will be useful to other people because, otherwise, in a world based upon the division of labour, I cannot sell what I produce. Now what I produce comes to the consumer only after a complex series of exchange-operations. My commodity has not only a use-value for the person who is to consume it; it has also an exchange-value for the persons through whose hands it passes before it reaches the consumer. The consumer is only concerned with use-value; the producer, the wholesaler, the retailer, are concerned with exchange-value, with, that is, the amount of other commodities my commodity will exchange for. In the modern world exchange-value is price, and price is stated in terms of money. What determines the exchange-value, or price, of a commodity?

Marx begins by pointing out that use-values differ qualitatively, exchange-values quantitatively, from each other. I buy wine to drink, or books to read, or pens to write with. But when I buy any of these, the value I seek to know is the value-in-exchange. I

consider wine as something for which other products, expressed in terms of price, must be given. I abstract all qualities from the commodity I purchase except that which is common both to it and to all other commodities. When this is done, I discover that the basis of exchange-value is "a mere congelation of homogeneous human labour, of labour-power expended without regard to the character of its expenditure." Value, then, is the amount of labour-time embodied in an article. It is the amount of labour which, in the average conditions of production, would have to be expended in order to reproduce a given commodity. Marx does not, it must be noted, say that value merely depends upon effort measured by time. He measures it in terms of what he calls "socially necessary" labour, the average time, that is, that the technical system of production requires. Should invention decrease that average, Marx does not deny that value would fall.

Labour, therefore, may be analysed from two angles. It has a use-value, which, in its concrete form, is the work of the miner, the clerk, the writer, or the stonemason, and it has an exchange-value, in which it is abstract, undifferentiated, homogeneous. Productive effort is the creation of exchange values by the expenditure of labour-power. The difference between different kinds of effort, skilled and unskilled, effort by brain

and effort by hand, is quantitative; it is effort more valuable, perhaps, but attained by the expenditure of the same commodity, labour-power. Simple and unskilled labour, so to say, represents one "dose" of labour-power, skilled labour, two or three or ten "doses." Thus we can measure the amount of "labour-power" in each man's effort, and so determine scientifically how he ought to be paid. This is done by taking the commodity in which his effort is embodied to the market, and finding there its exchange-value. "It is only as they are exchanged," wrote Marx, "that the products of labour acquire as values a single and uniform social status which distinguishes them from the varied forms in which they exist as objects of utility." It follows, therefore, that value is fixed by the market. It is a co-operative act, in the determination of which buyer and seller combine. Neither can place his individual judgment of value upon the commodity; that is a function of the market judgment of the "socially necessary" labour it embodies.

Two remarks may here be made. It should be noted that Marx's definitions are wide enough to cover all labour-power that has exchange-value, whether mental or manual in character. Marx the agitator may sometimes have used sentences which seem to make his analysis more narrow than this, and to confine the production of value to the

working-class; but Marx the economist makes no such limitation. All effort, whether of manager, financier, worker by hand or brain, which is "socially necessary" in the production of an article, goes to make up its exchange-value. Criticism, therefore, which is built upon his failure to differentiate between skilled and unskilled labour falls to the ground. Nor is it vitiated by saying that it hardly explains, without strain, exceptional cases, like a First Folio of Shakespeare, or a precious stone discovered by chance. Marx intends the thesis, with perfect justice, to cover the normal cases of capitalist production.

But a difficulty arises here. Value, says Marx, is determined by the amount of socially-necessary labour-time embodied in a commodity; this amount is fixed by the process of exchange. But when the process of exchange is at work the terms of the equation seem to contain other elements than Marx allowed for. It is clear that if we say (1) that the value of a commodity depends upon the amount of socially necessary labour-time it embodies, (2) that this amount is discovered in the process of exchange, and (3) that the exchange-rate is fixed by the value of the commodity, we are really saying that value depends upon value. That is not helpful. And this Marx seems to have realised by admitting that over-production may reduce price by taking to the market for exchange a

supply greater than the demand. He phrases the fact differently, indeed, by saying that, if the market does not take all the cloth woven by a weaver, "too great a portion of the total labour of the community has been spent in the form of weaving." But the result, however described, is that the proportion between supply and demand is a factor of importance in determining value. This, of course, is to say that the value is not merely a function of labour. It does not mean that labour is not an essential element in price; but it does mean that other factors must be taken into account.

Upon the basis, however, of this view of labour as the sole source of value, Marx erected his theory of surplus-value, which is the heart of his economic system. For what Marx, as a communist, had necessarily to do, was to show that there was a necessary and irreconcilable antagonism between master and man. This the surplus theory of value enabled him to attempt. At a certain stage in the development of society, he argues, there appears a class of free labourers. They are not serfs or slaves as in the past. They do not own the instruments of production, but they have their labour-power to sell. The capitalist buys this labour-power and sets it to work on the inanimate instruments of production. The resultant commodities are sold by him at a price beyond the cost of

those instruments and the cost of the labour-power. It is, moreover, a characteristic of those instruments that without the application of human effort they are unproductive. Value, therefore, is a function of the human effort applied to them. Labour-power, that is to say, produces values above the cost of tools, raw materials, and its own cost. Marx calls this difference surplus-value, and points out that the whole of it is taken by the capitalist. Labour is therefore deprived of the surplus-value which it has itself created.

Why? Because, says Marx, the "value of labour-power, like the value of any other commodity, is fixed by the labour-time necessary for its production. . . . The value of labour-power is the value of the means of subsistence necessary to maintain the labourer." If five shillings a day enables X. to do his duties, then five is the value of X.'s labour. If X. works five hours to produce five shillings' worth of commodities, whatever time he works beyond that period will produce value in surplus for his employer. In fact, the worker does work beyond the period, and, accordingly, a system which purchases his labour-power, purchases also surplus-value, or profit, beyond the value of that labour-power itself. Wages, therefore, do not vary with surplus-value, but with the value of the labour-power which is not related to the amount of surplus-value produced.



It is clearly to the interest of the capitalist, by extension of hours, or other means, to increase surplus-values; thereby he gets something for nothing. Profit is therefore obtained by depriving the worker of all that he produces beyond the cost of his labour-power. Capitalism is therefore robbing labour as the law of its being.

Into the refinements of this analysis we cannot here go; but it is important to elaborate a little its central thesis. The basic and inanimate foundations of production—what Marx called constant capital—buildings, raw materials, machinery, produce nothing; productivity comes from what he called variable capital, the amount of labour-power expended upon them. It is therefore evident that in the production of any given commodity all who do not contribute labour-power thereto do not produce values. All, therefore, who receive part of the product without this contribution are parasites robbing labour. Marx accordingly denies that profit results from the capitalist who lends money or the trader who conducts the process of exchange.

The test of such a view is obvious. If surplus-value, or profit, is the outcome of variable capital, it must follow that the higher the proportion of variable capital in a concern, the higher must be the surplus-value, and inversely. Is this true? It is, as Marx himself pointed out, the invariable law of

business enterprise that the rate of profit tends to equality, or, in other words, equal "amounts of capital, whatever the proportions of 'constant' and 'variable' capital within the amount, tend to produce equal amounts of surplus value." The law of surplus-value, as Marx said, "clearly contradicts all experience based on appearance." How is this seeming disharmony to be reconciled?

In Marx's own lifetime the solution did not appear. He himself was able to publish only the first volume of his great work; the two later volumes were edited from his materials by his faithful colleague, Engels. The explanation of the discrepancy offered by Marx appeared in the third volume. It was attributed there to the influence of competition. No individual, it was suggested, makes a rate of profit which coincides with the rate of surplus-value in his particular business; but the total mass of surplus-value is the measure of the average rate of profit. "The various capitalists," wrote Marx, "so far as profits are concerned, are so many stockholders in a stock company in which the shares of profits are uniformly divided for every hundred shares of capital, so that profits differ in the case of the individual capitalists only according to the amount of capital invested by each of them in the social enterprise, according to his investment in social production as a

whole, according to his shares." Profits are thus a function of total surplus-values in the whole productive process. Marx compares the phenomenon to the position of a moneylender. "It is here," he says, "precisely as with the average rate of interest of a moneylender who lends out various parts of his capital at different rates of interest. The level of his average rate depends wholly on how much of his capital he has lent at each of the different rates of interest." While, therefore, profits as a whole equal surplus-values as a whole, the individual price of production does not vary with the ratio of variable to constant capital in a given business. But the tendency is for the law to become constantly more true as capitalism develops. For this development synchronises with a continuous increase in constant, and decrease in variable, capital as the mechanisation of industries becomes intensified. This makes the average rate of surplus-value more equal, and explains the approximation of profit to an equality.

It is clear that the explanation is hardly satisfactory. The Marx who, in 1865, was explaining that "the market-price of commodities will correspond . . . with their values as determined by the quantities of labour required for their production," and argued that profits come "from the sale of commodities at their values, that is, in proportion

to the quantity of labour embodied in them," is propounding a very different theory from the Marx who is made by Engels to say that price is "a price of production equal to its cost price plus a percentage of profit apportioned according to the average rate of profit." Profits are then not only, as Marx himself admits, a function of surplus-value, but depend also upon competition. But this is fatal to the earlier view that things exchange in proportion to the amount of labour they embody. If capitalists "do not secure the surplus-value, and therefore the profit, created in their own sphere . . . but only as much surplus-value and profit as falls to the share of every aliquot part of the total social capital out of the total social surplus-value," then the competitive process compels them to accept less than their actual profits and prices are, at least in part, a function of competition. And this means that all surplus-value is not realised by anyone in the chain between ultimate producer and ultimate consumer until the latter is reached. We do not, in fact, know what the surplus-value is until we know the value in terms of price finally obtained for a given commodity. But this is again to argue that the value of an article depends upon what it fetches in the market, in other words, upon its value.

The explanation of the Marxian theory of value may be deferred while we examine the

consequences Marx himself deduced from it. The business of the capitalist is profit or surplus-value. That is the motive by which he is dominated. To pursue it, he alters the character of the productive process. In its primitive stages, he finds the workers scattered, largely independent, imbued with the spirit of craftsmanship. He organises them into the factory system to extract surplus-value from their labour-power. Co-operation of labour produces higher productivity. Science is harnessed to the machine to intensify it. Long hours of labour result in a large surplus-value. But meanwhile there arises protest from the workers against their conditions. Their exploitation by the capitalist destroys health and leisure. Humanitarianism revolts against the transformation of women and children particularly into beasts of toil. The capitalist finds himself compelled to reduce the hours of labour, which produce what Marx calls "absolute" surplus-value; he therefore concentrates upon a more intense productive system by increased use of machinery and other labour-saving devices to secure, in the Marxian phrase, "relative" surplus-value. This means a decline, in the long run, of the labour-power required; more constant and less variable capital are used, with the creation of a surplus army of labour, and a lower rate of profit. This surplus army becomes that permanent reservoir of unem-

ployed which characterises the industrial system.

Another effect follows. The greater use of constant capital means that the small capitalist lacks the means to compete with his more powerful neighbour. The concentration on "relative" surplus-value means, therefore, either the disappearance of the small trader, or the development of larger undertakings by means of combination. The means of production become, accordingly, increasingly concentrated in a few hands. The number of those who share in the distribution of surplus-value being continually smaller, the class of dependent wage-earners is constantly increased. And since this increase, with the reserve of labour it creates, is at best only partially employed, its function is to prevent excessive demands from the proletariat by creating a supply of labour in excess of the needs of the system.

Marx has set out in a vivid passage the consequences of this system. "All methods for raising the social productiveness of labour," he writes, "are effected at the cost of the individual labourer; all means for the development of production transform themselves into means of dominating and exploiting the producer. They mutilate him into a fragment of a man; they degrade him to the level of an appendage to a machine. Every remnant of charm in his work is destroyed, and trans-

muted into a loathsome toil; he is separated from the intellectual possibilities of the labour-process in the same degree that science, as an independent agency, becomes a part of it. They distort the conditions under which he works, and subject him, as he labours, to a despotism made the more hateful by its meanness. They transform his life-time into working-time, and his wife and child are dragged beneath the wheels of the Juggernaut of Capital. But all methods for the production of surplus-value are, at the same time, methods of accumulation; and every extension of accumulation becomes again a means for the development of those methods. It follows, therefore, that, as capital accumulates, the lot of the labourer, whether his wage be high or low, must grow proportionately worse. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agonised toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, that is, the class which produces its own product in the form of capital."

The communist, it must be noted, does not deny that capitalism in its early stages represents a distinct and necessary advance upon the previous economic system. He is concerned, as Marx is here concerned, to point out that it contains within itself the seeds of its inevitable decay. For it is built upon inherent contradictions, and these must

inevitably destroy it. Built upon the profit-making motive, its restless search for surplus-values makes it more and more dependent upon constant capital. This means a lower return, and to meet the problem thus created, capital continually concentrates. The middleman and the small producer are crushed out; the growth of the reserve-army of the workers gives rise to over-population and a decline in demand through the decreased purchasing-power of the masses resultant upon the excessive supply of labour-power. Commodities, that is to say, are produced in ever-growing amounts, while the possibility of their purchase is ever declining. The outcome is over-production and under-consumption, with the ever-recurrent crises which are an habitual feature of modern civilisation. Capital is then wasted, production is restricted by monopoly and combination, the productive capacity of society ceases to be used for the common advantage.

Nor is this all. When Marx wrote his indictment, the potentialities of capitalism were only partly apparent. To-day, we see in imperialism and war its necessary outcome. Lenin, in his *Imperialism*, has completed the outline of its history. The increasing dependence upon constant capital means a struggle for access to raw materials carried out on a world-wide scale. Asia, Africa, the Pacific become the scene of struggles between com-



peting capitalist groups backed by the power of their respective states. The necessity of vast expenditure in this effort leads first to the "personal union" of industrial and banking capital which gives a small financial oligarchy the control of the resources of the State. Monopolist capital grows by leaps and bounds. Everywhere it means the domination of trusts, the high cost of living, the "usurer State" in which the export of capital is the source of prosperity for a few at the expense of millions. It is a war of steel and gold, the consequence of which is the destruction of capitalism itself as incompatible with social good.

For upon the scale of its present organisation it depends upon the existence of an army of disciplined workers, habituated to receive unquestioningly its commands. But the workers, so far from obedience, combine to resist. Their wills and interests stand in antagonism to those of their masters. The narrow barrier which separate one group of workers from another is broken down as they realise that they have a common enemy in the class which owns the means of production. They begin to move towards the transformation of capitalism into communism. They realise that their labour-power cannot earn its just reward unless the means of production are owned in common. There comes, in Marx's classic words, "the revolt

of the working-class, a class always increasing in numbers, and disciplined, united, organised, by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter on the mode of production which has arisen and flourished with and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.”

### III

It is not difficult to understand the large measure of approval which the broad outlines of Marxian economics have received. Its message to the worker was an obvious one. The world was divided for him into those who lived by wages and those who did not. Those who lived by wages were, broadly speaking, poor, those who did not live by wages were, broadly speaking, rich. Assume, as Marx assumed, that the surplus theory of value is true, and the riches of those who do not live by labour are due to the poverty of those who do. The worker was able to see that he was poor. He saw, also, that he produced, collectively, more than he was paid, and that his surplus production was divided among

a relatively small class of rich, and often idle, men. A theory such as Marx's naturally appeals to him as a simple explanation of his distressed condition. He clings to it, less by virtue of any logical explanation of its theoretic adequacy, than because it summarised vividly the most poignant experience he knew. The Marxian law of wages, moreover, will, from its very nature, win new adherents at every period of commercial depression. At any moment when there is a decline in the effective demand for commodities, or when the power of trade-union resistance is at a low ebb, the impact of capitalism upon the wage-earner will closely resemble what Marx insisted is its normal relation; for few business men have imagination enough to realise that there are other ways to the rehabilitation of markets than the reduction of price by means of lower wages. Inevitably, therefore, the worker will move from the acceptance of surplus-value to the philosophy which Marx constructed as its natural environment.

“Marx's theory of value and surplus value,” writes a friendly German critic,<sup>1</sup> “has rather the significance of a political and social slogan than of an economic truth.” But its errors must not blind us, as his opponents have often been blinded, to the large measure of truth contained in the deductions he drew from the theory. His insistence on the

<sup>1</sup> Max Beer, *The Life and Teaching of Karl Marx*, p. 129.

concentration of power in a few hands in the capitalist State has only partially been overthrown by his critics. It may be true that the growth of joint-stock enterprise distributes over a wider range the number of those interested in the receipt of profits; but it does not seriously touch the central problems of industrial control. There may be many minor industries, of which photography and the repair of motor-cars are examples, in which the tendency is to the increase of small firms rather than the development of large ones. But parallel with this evolution there has clearly gone an increasing tendency to monopolistic combination in all industries which require a large outlay upon fixed capital. Agriculture, indeed, despite the development of large-scale farming in Western America, and the encouragement of agrarian co-operation, remains persistently individualist in temper. Yet, on the balance of inquiry, it is impossible to deny the emergence of an increasingly corporate spirit in industry. And its reaction upon the workers is undoubtedly in the direction Marx foresaw. They develop a growing sense of unity, a growing desire to encroach upon spheres of control once deemed sacred to the capitalist. And if the expropriators are not, outside of Russia, expropriated, there comes a demand, in all industries of first-rate national importance, for socialisation. Capitalism seems at once to

prepare monopolies and, in their operation, to be unable to retain the loyalty of the workers. The result is constant industrial conflict, and this affects the community towards a socialistic outlook as the one method of peace. No one can pretend to-day that the workers as a whole have any sympathy with the pretensions of capitalism. Especially do they feel that it is both ignorant and stupid to argue that the interests of workers and employers are identical. Such a view appears to them what John Stuart Mill termed "a goody morality."

For they have no patience with the people who, as Mill said, "think it right to be always repeating that the interest of labourers and employers is one and the same. It is not to be wondered at that this sort of thing should be irritating to those to whom it is intended as a warning. How is it possible that the buyer and the seller of a commodity should have exactly the same interest as to its price? It is to the interest of both that there should be commodities to sell, and it is, in a certain general way, the interest both of labourers and employers that business should prosper, and that the returns to Labour and Capital should be large. But to say that they have the same interest as to the division is to say that it is the same thing to a person's interest whether a sum of money belongs to him or to somebody else." On such a view, of

course, once the facts of distribution are incompatible with social justice, the theory of class-war, upon which Marx laid so great an insistence, has a large measure of truth inherent in it. For the absence of justice in the division of the product may be held to imply a struggle for justice to which the parties are the sellers and buyers of labour-power. The conclusions, that is to say, which Marx built upon his theory of surplus-value are in large part true, even though the theory of labour-value is itself erroneous.

What, roughly, were those conclusions? They were, first of all, that the divorce of the masses from the ownership of the instruments of production must result, however large be the total aggregate of productivity, in poverty for those masses. That poverty will be intensified by insecurity and the fact that there are riches and idleness among those who share in the ownership of capital. To live by the sale of labour-power was, in Marx's view, simply slavery in a special form. There is not only inequality in the distribution of the product. There is, secondly, inequality in personal freedom. The poverty of the workers means that they and their children lack adequate access to knowledge, to justice, and to the sources of political power. Their intellectual environment is largely dictated to them by men who have different wants and different interests. Capitalism, thirdly, can-

not maintain the initial successes which may be ascribed to it. It results, for reasons we have seen, in combination and in crisis. It damages the instruments of production by its wasteful use of natural resources. It is careless, as the necessity for regulation bears witness, of the human beings upon whose labour-power it depends. It adulterates the commodities it produces, thereby cheating the public and lowering the morale of those engaged in their production. The personality of those whom it employs is injured by the authoritarian control it exercises over them; as a system of government, that is to say, it is incompatible with the elementary principles of democratic government. As a consequence it provokes to revolt those over whose destiny it presides; internecine war is the law of its being, and this, in its turn, is fatal to the prosperity for which it was initially responsible. Finally, it leads to war by its need for the domination of foreign markets, the control of raw materials, and the protective tariffs for which it seeks in defence of its position at home.

It would be possible to extend this indictment to formidable length; <sup>1</sup> and even when the largest mitigations have been made, the broad outline of Marx's conclusions would be

<sup>1</sup> See Mr. and Mrs. Webb's *Decay of Capitalist Civilisation* for a brilliant statement of the position here summarised.

in sober fact unanswerable. Why is it, then, that economists, in general, have united to reject his views? The answer seems to be that the inadequacy of his theory of value has led them to infer that the conclusions he deduced from it are similarly inadequate; just as his supporters, recognising their own experience in his description of the capitalist process, have equally inferred that his ultimate explanation must be sound. But the errors of a great man are seldom without suggestiveness; and an examination of why Marx was led to his views will serve to explain something of the power they have exercised.

What Marx, it may be argued, was seeking was the criterion of a just exchange in a society where man obtains for the commodities he produces the ideal values he ought to obtain. He is building up a thesis which seeks to answer the case for capitalism as the latter was set forth by the classical economists. The latter, as is well known, derived their views from the theory of value first outlined by Locke. In the *Second Treatise on Government* Locke defended private property by arguing that a man is entitled to that with which he has mingled his labour. He envisaged a society in which the individual is entitled to what he has because by his own effort he has wrung it from the caprice of Nature; that, for Locke, is the real justification of possession. But, obviously, Locke's



natural society is not the society we know; and a system which accounts for ideal values, while it may be used to test the existing values of a given society, is not necessarily an explanation of them. What Marx does is to take over from Locke the idea of a society where each man, subduing Nature to his own wants, earns what he is worth, and applies its criteria to the society about him. But the characteristic of the latter is the introduction of economic relationships which do not subsist in the former; and the theory of value which describes the first cannot, of course, describe the second.

But Marx is here, of course, simply repeating what the classical economists had already sought to do. As with Adam Smith, Ricardo, and, above all, MacCulloch, they had used the labour theory of value to describe the complicated society they knew on the assumption that competition was perfect and that monopoly was non-existent. They assumed, in other words, that perfect equality existed as between the buyers and sellers of labour; what each class received was what each class earned. It was then simple to argue that the reward of the capitalist was just. And the step from this highly abstract society to the one about them was a simple one, the more so because the removal of legislative restrictions seemed likely to create the perfect society of *laissez-faire* theory. The labour

theory of value, so regarded, became above all a justification of profit.

Now Marx's business, as he conceived it, was to accept the basis from which the classical school started, and to turn its results against them. He seeks to show that, on their conditions, the labour theory of value leads to socialism, because an historical analysis of capitalism makes it evident that while it is an endeavour to render to each man his own, in fact it renders increasingly to a few much more than their own, and to the many much less. It is the parent of inequality, and that at a time when, largely as a result of the French Revolution, "the notion of human equality has acquired already the fixity of a popular prejudice." Capitalism and equality being in conflict, and the latter being destined to an inevitable triumph, it follows that capitalism is merely a stage in the evolution towards socialism where, by reason of the common ownership of the means of production, each man will again receive his own.

It is clear, then, that at the root of Marx's view there lies an ethical test of value. Commodities, for him, have not merely use and exchange values; they have also an inherent value which is what they would obtain in exchange where society was properly organised, that is, where the equality of primitive society obtained. And the measure of the difference between this inherent value and the actual

exchange value of contemporary society is for him the measure of the degree to which labour is deprived of its rights. For this inherent value, assuming equality, enables production and social need to be directly proportionate to each other. Such a society would obviously be just; whereas the fact of inequality means a society inherently unjust because the relationships between supply and demand are perverted by the failure to adjust them to social need.

In other words, Marx, is constructing a theory of value in terms of natural rights, and he sees that the equation between them cannot be effected unless value is regarded as a social product. Yet the individualist society he knew, even more the thesis he was seeking to overthrow, was essentially a denial of that view, and an endeavour to trace back the creation of value to persons regarded as independent. Marx saw that the independence was untrue, and he attempted, accordingly, to utilise an individualistic theory of value for the discovery of conclusions that have a social implication. But the only way in which he could utilise that individualism was by regarding it as an ethical criterion constantly perverted by the capitalistic process. Hence his theory of value constantly passes from ideal criterion to realistic description without the transition being marked certainly in his pages, and possibly in his

mind. He put his finger on the essential weakness of the theory he attacked, but at the expense of importing into his description of capitalism a judgment alien from the abstract assumptions from which he starts.

It is here, of course, that there lies the attractiveness of his view for those who have experience of the results he describes. In a society of equals where the producer of commodities also exchanges them, it is clear that the return to him is proportionate to his effort if what he produces is socially necessary. But in a society of unequals, where the division of labour produces a differentiation between production and exchange, this is no longer the case. The profits of exchange cannot now be identified with the rewards of the producer. Yet the theory of profit in the classical economists is based upon the assumption that this is the case. Nor is this all. The wage-earner, in contemporary society, has no measurable commodities to exchange. He sells only a labour-power which, broadly speaking, has to unite itself with the labour-power of others to produce; and there is then no longer the means of differentiating the contribution of each wage-earner to the total product. Yet the classical theory of wages, ignoring this, argues that what the wage-earner receives is what he produces, exactly as though he were the joint producer and exchanger of primitive and equal society.

The wage-earner, of course, sees that he is in fact producing more than he receives, and that this surplus-value is profit. He therefore agrees with Marx that he is robbed.

It is, of course, easy to show that in the simple form that Marx gave to his view, the doctrine is indefensible. He sometimes speaks, for instance, as though exchange is incapable of creating value, though he himself knew quite well that this is not the case. But if Marx treats the profit-maker with contempt, he might reasonably argue that the classical economists treated the wage-earner no differently. And having made good his case that value is a product of social relations, that, in other words, it is impossible to trace back the creation of any definite part of value to a given producer, he is entitled to insist upon his criticism of capitalist society that its system of rewards has no relation to justice. That is so because it is built upon inequality; and the really central plea of Marx, and the effective source of attraction in his economic system, is his demand that economic relationships be built upon the basis of equality.

Put briefly, Marx's economic philosophy is a demonstration that in a society where the few own the instruments of production, and the many have nothing to sell but their labour-power, the theoretic results of freedom of contract which the classical economists predicted cannot possibly occur. For those

theoretic results depend on an equality of bargaining power which, by a magistral analysis, he showed to be absent from the society about him. And not only absent, but, from causes that were undeniably operative, it was bound to be absent in increasing degree. Capitalism made men unfree by the governmental process it involved. For it denied the ideal of equality without which democratic government is impossible. As the child of the French Revolution Marx had no doubt that the ideal of equality was desirable, and his thesis was a challenge to the orthodox economist to show why the assumptions they made in politics ought not to be applied to the process of production. Therein he expressed, with a wealth of learning, the half-conscious sense of the wage-earner in his daily life. For the fascination of Marx in this aspect is exactly his attack upon the inequality of the existing regime; and it is only by the remedy of that inequality that his hold over the minds of men is likely to grow less.

#### IV

This explanation, it should be added, does not make the Marxian theory of value defensible as an economic analysis. The fact rather is that, in the form Marx gave to his theory, the problem he confronted is, *ex hypothesi*,

insoluble. For immediately we assume that value is a social product, i.e., that is to say, the result not of individual, but of co-operative effort, we cannot trace the individual contribution of any man to the sum-total of production. For the co-operation makes productivity something more than the sum of the individual efforts that have gone to its making. The division of labour, therefore, involves activities of a nature which, by destroying the assumptions of the labour theory of value, make that theory itself otiose. The results of Marxism, in fact, and, it should be insisted, its driving power, really come from the fact that it demolishes the foundations of an individualistic society.

It does not, indeed, replace them except by arguing that justice in economic arrangements can only come from the common ownership of the means of production and a theory of reward conceived in terms of capacity and need. Marx's scientific instinct taught him to avoid the danger of Utopia-making; and his firm grasp of the idea of evolution made him realise that the changes he foresaw in large outline would bring with them novelties in detail he could not foresee. He was, if our own experience is any guide, wrong in his belief that the breakdown of capitalism would give place to a comparatively simple society; we have come increasingly to realise that our very scale of life, whatever the economic

system, involves complexity. And once it is admitted that no society can endeavour to assess the individual contribution to its wealth as the basis of reward, it is clear that theories of reward will shift to a very different foundation from that postulated by individualism. Whether, as some imagine, the impossibility of tracing the individual contribution makes equality of reward the only equitable hypothesis we are not called upon here to inquire. What it is alone important to realise is that in adopting Marx's theories as its own, communism acquired an economic philosophy which, though in part erroneous, has the strength that comes from building its appeal upon some of the profoundest impulses of men.